

Required fields are shown with yellow backgrounds and asterisks.

Filing by BOX Exchange LLC.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires * <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to adopt rules to govern the trading of equity securities on the Exchange through a facility of the Exchange known as Boston Security Token Exchange LLC (BSTX).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Alanna Last Name * Barton

Title * General Counsel

E-mail * abarton@boxregulation.com

Telephone * (617) 235-2239 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 05/30/2019

By Kristin Tierney

VP, Risk & Compliance

ktierney@boxregulation.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change
by

BOX EXCHANGE LLC

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

Item 1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 as amended (“Exchange Act” or the “Act”),¹ BOX Exchange LLC (“BOX or the “Exchange”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt rules to govern the trading of equity securities on the Exchange through a facility of the Exchange known as Boston Security Token Exchange LLC (“BSTX”). As described more fully below, BSTX will operate a fully automated, price/time priority execution system for the trading of “security tokens,” which are equity securities meeting BSTX listing standards and that use the functionality of distributed ledger technology. The proposed additions to the Exchange’s Rules setting forth new Rule Series 17000 – 28000 are included as Exhibit 5A. All text set forth in Exhibit 5A would be newly added to the Exchange’s rules and therefore marking of the text is omitted. Forms proposed to be used in connection with the proposed rule change, such as the application to become a BSTX Participant, are included as Exhibit 3A through 3M.

In addition, the Exchange proposes to make certain amendments to several existing BOX Rules to facilitate trading on BSTX. The proposed changes to the existing BOX Rules will not change the core purpose of the subject Rules or the functionality of other BOX trading systems and facilities. Specifically, the Exchange is seeking to amend BOX Rules 100, 2020, 2040, 2060, 3180, 7130, 7150, 7230, 7245, IM-8050-3, 11010, 11030, 12030, and 12140. These proposed changes are set forth in Exhibit 5B. Material proposed to be added to the Rule as currently in effect is underlined and material proposed to be deleted is bracketed.

All capitalized terms not defined herein have the same meaning as set forth in the

¹ 15 U.S.C. 78s(b)(1).

Exchange's Rules.²

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Exchange Board of Directors ("Board") for filing with the Commission on May 29, 2019. No further action is necessary for the filing of the proposed rule change.

Questions should be addressed to Lisa J. Fall, President at (617) 235-2235.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Exchange is proposing to adopt a series of rules to govern the trading of equity securities through a facility of the Exchange known as BSTX and make certain amendments to the existing BOX rules to facilitate trading on BSTX. As described more fully below, BSTX will operate a fully automated, price/time priority execution system ("BSTX System") for the trading of "security tokens," which are equity securities meeting BSTX listing standards and that are able to use the functionality of distributed ledger technology to maintain records of ownership. All BOX Participants will be eligible to participate in BSTX provided that they become a BSTX Participant pursuant to the proposed rules. Under the proposed rules, BSTX will serve as the listing market for eligible companies that wish to issue their registered securities as security tokens. Security tokens will trade as NMS stock,³ but will only be available for trading on BSTX as described in Section III below. A guide to the structure of the proposed rule

² The Exchange's Rules can be found on the Exchange's public website: <https://boxoptions.com/regulatory/rulebook-filings/>.

³ 17 CFR 242.600(b)(48).

change is described immediately below.

I. *Guide to the Scope of the Proposed Rule Change*

The proposal for trading of security tokens through BSTX generally involves changes to existing BOX Rules and new BOX Rules pertaining specifically to BSTX (“BSTX Rules”). In addition, BSTX corporate governance documents as well as certain discrete changes to existing BOX corporate governance documents are necessary, which the Exchange will submit to the Commission through a separate proposed rule change. To support the trading of security tokens through BSTX, certain conforming changes are proposed to existing BOX Rules and entirely new BSTX Rules are also proposed as Rule Series 17000 through 28000.⁴ Each of those new Rule Series and the provisions thereunder are described in greater detail below. Where the BSTX Rules are based on existing rules of another national securities exchange, the source rule from the relevant exchange is noted along with a discussion of notable differences between the source rule and the proposed BSTX Rule. The proposed BSTX Rules are addressed in Section IV below and they generally cover the following areas:

- Section 17000 – General Provisions of BSTX;
- Section 18000 – Participation on BSTX;
- Section 19000 – Business Conduct for BSTX Participants;
- Section 20000 – Financial and Operational Rules for BSTX Participants;
- Section 21000 – Supervision;
- Section 22000 – Miscellaneous Provisions;
- Section 23000 – Trading Practice Rules;

⁴ The proposed changes to BOX rules and the proposed BSTX rules are attached as Exhibit 5A.

- Section 24000 – Discipline and Summary Suspension;
- Section 25000 – Trading Rules;
- Section 25200 – Market Making on BSTX;
- Section 26000 – BSTX Listing Rules;
- Section 27000 – Suspension and Delisting;
- Section 27100 – Guide to Filing Requirements;
- Section 27200 – Procedures for Review of Exchange Listing Determinations; and
- Section 28000 – Dues, Fees, Assessments and Other Charges.

II. *Overview of BSTX and Considerations Related to the Listing, Trading and Clearance and Settlement of Security Tokens*

A. The Joint Venture and Ownership of BSTX

On June 19, 2018, t0.com Inc. (“tZERO”) and BOX Digital Markets LLC (“BOX Digital”) announced a joint venture to facilitate the trading of security tokens on the Exchange.⁵ As part of the joint venture, BOX Digital, which is a subsidiary of BOX Holdings Group LLC, and tZERO each own 50% of the BSTX LLC. Pursuant to the BSTX LLC Agreement, BOX Digital and tZERO will perform certain specified functions with respect to the operation of BSTX. As noted, these details, as well as the proposed governance structure of the joint venture and accompanying changes to the Exchange’s current governance documents and bylaws, will be submitted as a separate proposed rule change with the Commission.

B. BSTX Is a Facility of BOX That Will Support Trading in the New Asset Class of Security Tokens

⁵ See tZERO and BOX Digital Markets Sign Deal to Create Joint Venture, Business Wire (June 19, 2018), available at <https://www.businesswire.com/news/home/20180619005897/en/tZERO-BOX-Digital-Markets-Sign-Deal-Create>.

BSTX will operate as a facility⁶ of BOX, which is a national securities exchange registered with the SEC. As a facility of BOX, BSTX's operations will be subject to applicable requirements in Sections 6 and 19 of the Exchange Act, among other applicable rules and regulations.⁷ Currently, BOX functions as an exchange only for standardized options. While BSTX may eventually support a wider variety of securities, subject to Commission approval, at the time that BSTX commences operations it will only support trading in security tokens that are equity securities. Accordingly, this represents a new asset class for BOX, and this proposal sets forth the changes and additions to the Exchange's rules to support the trading of equity securities as security tokens.

C. Security Tokens Will Be NMS Stocks

The security tokens will qualify as NMS stocks pursuant to Regulation NMS,⁸ which defines the term "NMS security" in relevant part to mean "any security or class of securities for which transaction reports are collected, processed and made available pursuant to an effective transaction reporting plan"⁹ In turn, Rule 601(a)(1) will require BOX to file a transaction reporting plan regarding transactions in listed equity securities that are executed through BSTX

⁶ 15 U.S.C. 78c(a)(2). Section 3(a)(2) of the Exchange Act, provides that "the term 'facility' when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service." Because the Exchange owns 50% of BSTX LLC and has the right to use BSTX LLC for the purpose of effecting transactions in security tokens, BSTX is a facility of the Exchange.

⁷ 15 U.S.C. 78f; 15 U.S.C. 78s.

⁸ 17 CFR 242.600 through 613.

⁹ 17 CFR 242.600(b)(47).

as a facility of the Exchange.¹⁰ The term “NMS stock” means “any NMS security other than an option”¹¹ and therefore security tokens traded on BSTX that represent equity securities will be classified as NMS stock.

D. BSTX Will Support Trading of Registered Securities

All security tokens traded on BSTX will be registered with the Commission under both Section 12 of the Exchange Act¹² and Section 6 of the Securities Act of 1933 (“Securities Act”).¹³ Issuers would register eligible security tokens using Forms 10 and 8-A under the Exchange Act. BSTX will not support trading of security tokens offered under an exemption from registration for public offerings, with the exception of certain offerings under Regulation A that meet the proposed BSTX listing standards.

E. Approved Settlement Provider

Transactions in security tokens on BSTX will be cleared and settled through Approved Settlement Providers. Pursuant to the BSTX Rules, an Approved Settlement Provider could be a registered or exempt clearing agency, transfer agent or any other entity approved by BSTX that may lawfully provide such clearance and settlement functions.¹⁴ To facilitate the clearance and settlement of all security token transactions through an Approved Settlement Provider, the BSTX Rules would also require each BSTX Participant that is a Carrying BSTX Participant to have a

¹⁰ 17 CFR 242.601(a)(1). The rule states in relevant part that “every national securities exchange shall file [with the SEC] a transaction reporting plan regarding transactions in listed equity and Nasdaq securities executed through its facilities”

¹¹ 17 CFR 242.600(b)(47).

¹² 15 U.S.C. 78l.

¹³ 15 U.S.C. 77f.

¹⁴ See proposed BSTX Rule 17000(a)(4).

written agreement for custody and settlement services with an Approved Settlement Provider.

F. Listing Rules and Compatibility with the Ethereum Blockchain

BSTX would maintain listing standards that would enable security tokens to have a record of their ownership recorded on the Ethereum blockchain using a protocol standard determined by BSTX (the “BSTX security token protocol”).¹⁵ In this way, the Ethereum blockchain would serve as a complementary recordkeeping mechanism to the official records of security token ownership that would be maintained by an Approved Settlement Provider and the BSTX Participants.¹⁶ In general, a blockchain is an open, decentralized ledger that can maintain digital records of assets and transactions that are accessible to anyone running the same protocol.¹⁷ The blockchain’s central function is to encode transitions or changes to the ledger, such as the movement of an asset from one person to another person. Whenever one change to the blockchain ledger occurs to record a state transition, the entire blockchain is immutably changed to reflect the state transition. The purpose of requiring security tokens to adopt the BSTX security token protocol is to enable security tokens to be recorded on the public Ethereum blockchain and ensure uniformity among security tokens rather than permitting each security token to have its own unique specifications that might complicate transfers and add unnecessary complexity.

¹⁵ While BSTX initially intends to support only the trading of eligible security tokens that are compatible with the Ethereum public blockchain, BSTX may support tokens compatible with other blockchains that support smart contract functionality in the future.

¹⁶ As proposed in BSTX Rule 17000, the term “Approved Settlement Provider” would mean “(i) a registered clearing agency or clearing agency exempt from registration under the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity, in the Exchange’s discretion, that may lawfully provide such functions.”

¹⁷ A “protocol” for this purpose is a set of rules governing the format of messages that are exchanged between the participants.

The Ethereum blockchain is an open-source, public blockchain that operates as a computing platform and operating system that supports smart contract functionality.¹⁸ Smart contracts are computer protocols designed to digitally facilitate, verify, and enforce the performance of a contract. Ethereum-based smart contracts are executed on the Ethereum Virtual Machine, which can be thought of as a global computer network upon which the smart contracts run. Ether is the digital currency used to pay fees associated with operating smart contracts (known as “gas”) on the Ethereum networks. This is because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.¹⁹ Thus, moving tokens from one address to another address (i.e., a state transition) requires some amount of Ether to pay the fee (i.e., gas) associated with recording the movement of tokens to the Ethereum blockchain. Parties to a transaction in Ethereum-based smart contracts can determine what those gas costs are depending on how quickly they would like the transaction to be reflected on the Ethereum blockchain.

The different smart contracts built on top of the Ethereum network can be understood in this context as different tokens. Each smart contract/token might perform different functions and may operate pursuant to a different set of technical specifications, but all are ultimately recorded on the Ethereum blockchain. However, if each token/smart contract is running pursuant to different technical specifications, transferring tokens and ensuring tokens can be securely maintained becomes challenging. Consequently, a number of pre-established sets of technical specifications or protocol standards have emerged.

¹⁸ See Ethereum White Paper (last updated Aug. 1, 2018) available at <https://github.com/ethereum/wiki/wiki/White-Paper>.

¹⁹ See *What Is Gas*, MyEtherWallet (2018) available at <https://kb.myetherwallet.com/posts/transactions/what-is-gas/>.

Two of the most prominent of the standardized protocols are the ERC-20 protocol and the ERC-884 protocol, which are discussed below.²⁰ The BSTX security token protocol is based on the ERC-884 protocol standard.

1. ERC-20 Protocol Standard

The ERC-20 protocol standard is a set of rules that a token must adopt to be considered an ERC-20 token. It offers basic functionalities to transfer tokens, obtain account balances, get the total supply of tokens, and allow for token approvals. The use of the ERC-20 protocol standard means that all tokens run the protocol function in the same way. The six functions of the ERC-20 protocol standard are:²¹

- (1) Total Supply – designates the total supply of tokens.
- (2) Balance Of – upon providing the wallet address of a token owner, this returns the amount of tokens held at that address.
- (3) Transfer – allows for the transfer of tokens to other specified addresses, and requires two parameters: the receiver address and the amount of tokens being sent.
- (4) Transfer From – this allows for a smart contract to transfer shares on behalf of a token owner pursuant to the operation of a smart contract. It differs from the “Transfer” function in that Transfer is used to send tokens directly by the owner

²⁰ “ERC” is the abbreviation for “Ethereum Requests for Comments,” which is the name for technical documents for smart contract developers on Ethereum that define a set of rules required to implement tokens that can be recorded on the Ethereum blockchain. See e.g., Lauren Stephanian, *The Ethereum Token Standards You Need to Know*, Medium (Feb. 5, 2018).

²¹ See e.g., Jesus Najera, Understanding ERC20, Coin Central (Jan. 8, 2018), available at <https://coincentral.com/understanding-erc20/>; Alfonso de la Rocha, *Anatomy of an ERC: An Exhaustive Survey*, Medium (May 7, 2018) <https://medium.com/coinmonks/anatomy-of-an-erc-an-exhaustive-survey-8bc1a323b541>.

to a specified address, while Transfer From permits automatic transfer when specified conditions (*e.g.*, those in a smart contract) are met.

- (5) Allowance – allows for two addresses to create repeated unidirectional transfers. By designating the token owner and the second wallet to which the transfer may occur, multiple unidirectional transfers may occur at specified intervals.
- (6) Approve – allows for a wallet owner to “approve” a transaction that is about to be made, and requires the address of the destination to which the tokens will be sent and the amount of tokens being sent.

There are additional optional specifications of the ERC-20 protocol standard such as the token name, the token symbol, and decimals, which represent how divisible a token can be (if at all).²²

2. ERC-884 Protocol Standard

The ERC-884 protocol standard allows for the creation of ERC-20 tokens where each token represents a single, unnumbered share of a Delaware corporation. As a result of recent changes to Delaware corporate law, blockchains may now be used to maintain corporate share registries under Delaware law.²³ The ERC-884 protocol standard adopts the ERC-20 protocol standard and adds additional specifications to comply with the requirements of Delaware corporate law. Specifically, the ERC-884 protocol standard requires the following additional

²² For example, decimals would specify the degree to which a token can be divided into fractional tokens, the equivalent of fractional shares.

²³ Delaware State Senate, 149th General Assembly, Senate Bill No. 69: An Act to Amend Title 8 of the Delaware Code Relating to the General Corporation Law (July 21, 2017) [available at https://legis.delaware.gov/BillDetail/25730](https://legis.delaware.gov/BillDetail/25730).

specifications.²⁴

- (1) No Fractional/Partial ERC-884 Tokens – each ERC-884 token must represent a single unnumbered share of the issuer. Consequently, the optional decimals functionality of the ERC-20 protocol standard must be set to “0” to ensure that each token represent a single share and is not divisible.
- (2) Identity Verification – token owners must have their identity verified to ensure that owners are appropriately whitelisted.²⁵
 - This requires that the “Transfer” and “Transfer From” functions do not allow transfer to non-verified addresses and must maintain a list of token holders.
- (3) Corporate Stock Ledger – each ERC-884 token must provide the three functions of a corporate stock ledger:²⁶
 - (i) Reporting – allow for the corporation to prepare an up-to-date list of all token holders;²⁷
 - (ii) Record partly paid-for tokens, the total amount paid, and the total amount to be paid; and

²⁴ See Dave Sag, EIP 884: DGCL Token (Feb. 14, 2018), available at <https://eips.ethereum.org/EIPS/eip-884>. See also Dave Sag, Tokenising Shares: Introducing ERC-884, Medium (Apr. 16, 2018), available at <https://medium.com/coinmonks/tokenising-shares-introducing-erc-884-cc491258e413>.

²⁵ Whitelisting is a process whereby the designer of a program or software specifies the allowable uses of such program or software. In the context of eligible security tokens, whitelisting can be used to create a list of allowed addresses to which eligible security tokens may be sent and from which may be received.

²⁶ See Section 224 of the Delaware General Corporation Law regarding the permissible forms of records. 8 *Del. C.* § 224.

²⁷ See 8 *Del. C.* §§ 219-220.

- (iii) Transfers of tokens.
- (4) Cancel and Reissue – requires that an ERC-884 token establish a mechanism to allow a token holder that has lost their private key or otherwise lost access to their tokens to have their wallet address cancelled and the tokens re-issued to them at a new address.

3. BSTX Security Token Protocol

The BSTX security token protocol generally address the same considerations that are addressed by the ERC-884 protocol and is designed to comply with the requirements of Delaware law.²⁸ The Exchange expects to make the BSTX security token protocol available via Regulator Circular pursuant to proposed BSTX Rule 26138.

G. Wallet Managers

Each BSTX Participant²⁹ must arrange to have its security tokens managed by a party that operates wallet manager software to custody and transfer the eligible security tokens of the member and its customers (a “Wallet Manager”).³⁰ The wallet manager software is how transactions in eligible security tokens are recorded to the public Ethereum blockchain. A “wallet” in this context is software that stores the private and public keys, which can be used to securely move eligible security tokens from one person’s address to another’s address and to

²⁸ See id. See also supra note 23.

²⁹ A “BSTX Participant” is an Exchange Participant that is authorized to trade security tokens on the Exchange. See proposed Rule 17000(a)(12) (defining BSTX Participant).

³⁰ A “Wallet Manager” is a party approved by BSTX to operate software compatible with the BSTX Protocol on behalf of a BSTX Participant. See proposed Rule 17000(a)(32) (defining Wallet Manager). At the commencement of BSTX’s operations, it is expected that tZERO will make the wallet manager software available to be licensed. Other market participants, however, would be permitted to develop and use or license wallet manager software provided that it is compatible with the BSTX security token protocol.

prevent unauthorized access to tokens. Public and private keys form the basis of a cryptographic system. Each address of a wallet has a public key (synonymous with public address) that may be disseminated widely and a private key that is known only to the owner (and those with whom the owner may share the private key). On the Ethereum blockchain, a public key can be used to send tokens (signed by the sender's private key) to another public key/address. Only the private key associated with the receiving public address can access and control the tokens sent to that public address.³¹ The sending of eligible security tokens from one wallet address to another wallet address records the transaction to the Ethereum blockchain.³² As noted above, recording transactions to the Ethereum blockchain requires the payment of gas costs in the form of Ether. Wallet Managers will need to maintain enough Ether to facilitate the movement of security tokens between different addresses and have these transactions recorded to the Ethereum blockchain.

Because eligible security tokens are compatible with the Ethereum network, anyone with an Ethereum wallet could have security tokens sent to an address (i.e., public key) at the wallet, provided the address is whitelisted. Accordingly, it would be possible for a customer to request that his or her BSTX Participant send his or her eligible security tokens to that individual's

³¹ For example, if BSTX Participant A bought eligible security tokens from BSTX Participant B, BSTX Participant B, through its Wallet Manager and Approved Settlement Provider, would send eligible security tokens to the wallet address (i.e., public key) of BSTX Participant A. Only an individual with knowledge of BSTX Participant A's private key can make an ensuing transfer of the eligible security tokens once sent to BSTX Participant A's public address.

³² To the extent BSTX Participant and Wallet Manager had two of its customers match in a trade on BSTX and such customers eligible security tokens were held in the same wallet address (e.g., an omnibus address of the Exchange member's customers) the transaction would not need to move between two addresses and the transaction would be recorded via book-entry transfer on the broker-dealer's books and records. In such a case, the transaction would not be recorded to the Ethereum blockchain.

personal Ethereum wallet address after it is whitelisted, pursuant to the Exchange's process for whitelisting addresses. However, upon the receipt by such a customer of their eligible security tokens to their private wallet address, the customer could not thereafter transfer the eligible security tokens to an address other than a whitelisted address.

H. Coordination Between BSTX, Approved Settlement Providers and Wallet Managers

Upon the occurrence of a transaction on BSTX due to the completion of its order matching process,³³ BSTX will generate an execution report, and it will deliver drop copies to its own front-end systems to update the BSTX Participants and the Approved Settlement Provider(s) acting on behalf of the BSTX Participants.³⁴ The Wallet Manager would also be provided with information necessary to update the Ethereum blockchain. Where a BSTX transaction creates a settlement obligation to transfer registered ownership of a security token, an Approved Settlement Provider's receipt of the drop copy will serve as an instruction, as the case may be, to transfer security tokens from the seller to the buyer and/or to transfer cash from the buyer to the seller. Upon receipt of the transaction information, the Wallet Manager for the seller would then use the private key to cause the transfer of the security token from the public wallet address of the selling BSTX Participant to the public address of the purchasing BSTX Participant. It is possible that a market participant may act as both an Approved Settlement Provider and as a Wallet Manager

III. *Trading Exclusively on BSTX*

³³ Order matching would occur through a price-time priority model, as discussed in greater detail below.

³⁴ The last sale transaction data would also be publicly disseminated pursuant to the transaction reporting plan, which would occur before delivery of drop copies to these parties.

The Exchange proposes to limit trading in security tokens to BSTX only in order to concentrate liquidity in security tokens on a single trading center. As discussed in greater detail below in Section IV.K., the Exchange proposes to adopt listing standards that are 20% lower than those of existing equity exchanges. These modestly lower listing standards and the proposed limitation of trading to just BSTX are designed to attract innovative issuers that might not otherwise choose to list their securities on a national securities exchange and create a trading environment where they can flourish.

Chairman Clayton has recently expressed concerns regarding illiquidity in thinly-traded securities, noting, among other things, that “[i]lliquidity hampers [thinly-traded issuers] in many areas, including in their ability to raise additional capital, obtain research coverage, engage in mergers and acquisitions, and hire and retain personnel.”³⁵ In 2017, the U.S. Department of the Treasury recommended that issuers of less liquid stocks be permitted to partially or fully suspend unlisted trading privileges for their securities.³⁶ To that end, Chairman Clayton announced on March 8, 2019, that he asked the staff of the Commission’s Division of Trading and Markets to explore potential limitations on unlisted trading privileges for certain classes of thinly traded

³⁵ Chairman Jay Clayton, Commission, Equity Market Structure 2019: Looking Back & Moving Forward, Remarks at Gabelli School of Business, Fordham University, New York, New York (March 8, 2019) (“Clayton UTP Remarks”) available at https://www.sec.gov/news/speech/clayton-redfearn-equity-market-structure-2019#_ftnref4.

³⁶ U.S. Department of the Treasury, A Financial System that Creates Economic Opportunities: Capital Markets, Report to President Donald J. Trump (October 2017) at 207 (Appendix B), available at <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf>. Other regulators have also suggested that it would be appropriate to limit unlisted trading privileges as well. See Clayton UTP Remarks, at n.13 (noting that several panelists on the Roundtable on Market Structure for Thinly-Traded Securities, supported the approach of limiting unlisted trading privileges, with some suggesting going even farther and considering whether Regulation NMS rules should be eliminated in this segment of the market).

stocks.³⁷

Consistent with these calls for an improvement in the market quality of smaller market capitalization issuers, BSTX proposes an exchange model designed to address these concerns. The Exchange believes that limiting trading in security tokens to just BSTX will promote efficiency, competition, and capital formation in several ways. First, limiting security token trading to BSTX would mitigate the impact of market fragmentation on security token issuers. Second, it would encourage additional issuers to list their securities knowing that the securities would be traded in an environment that minimizes these impediments that smaller issuers currently face. Third, exchanges would have strong incentives to innovate in order to attract issuers to trade exclusively on their exchange, which would promote competition among exchanges. With respect to limiting over-the-counter (“OTC”) trading in security tokens, the Exchange believes that the benefits of concentrated liquidity that would accrue to security token issuers would be undermined if trading were allowed both on BSTX and in the OTC markets. In addition, the Exchange believes that limiting trading to BSTX would help facilitate surveillance of security token trading and an orderly introduction of trading in registered security tokens to the U.S. capital markets.

Accordingly, the Exchange is requesting exemptive relief from the Commission through to allow security tokens to trade only on BSTX. Specifically, to limit over-the-counter (“OTC”) trading in security tokens, the Exchange is requesting that the Commission exercise its exemptive authority pursuant to Section 11A(c)(3)³⁸ and Section 36(a)³⁹ of the Exchange Act, to

³⁷ See supra note 35.

³⁸ 15 U.S.C. 78k-1(c)(3). Section 11A(c)(3) provides that the Commission, by rule, is authorized to prohibit brokers and dealers from effecting transactions in registered securities otherwise than on a national securities exchange if it makes certain findings. Specifically, the Commissions

exempt the Exchange from Rules 19c-1⁴⁰ and 19c-3⁴¹ under the Exchange Act, which generally prohibit the rules of a national securities exchange from limiting the ability of its members from trading securities otherwise than on an exchange. To limit trading in security tokens on other national securities exchanges, the Exchange is requesting that the Commission exercise its exemptive authority pursuant to Section 36(a) of the Exchange Act⁴² to exempt security tokens that are listed on BSTX from Section 12(f)(1)(A)(i) of the Exchange Act,⁴³ which generally allows any national securities exchange to extend unlisted trading privileges to any security that

must find on the record after notice and opportunity for hearing that: (i) as a result of transactions in securities effected otherwise than on an exchange the of fairness or orderliness of the markets for such securities has been affected in a manner contrary to the public interest or the protection of investors; (ii) no rule of any exchange unreasonably impairs the ability of any dealer to solicit or effect transactions in such securities for its own account or unreasonably restricts competition among dealers in such securities or between dealers acting in the capacity of market makers who are specialists in such securities and such dealers who are not specialist in such securities; and (iii) the maintenance or restoration of fair and orderly markets in such securities may not be assured through other lawful means under this chapter. 15 U.S.C. 78k-1(c)(3)(A).

³⁹ 15 U.S.C. 78mm(a). Section 36(a) of the Exchange Act provides that the Commission may, by rule, regulation, or order, conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this chapter or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

⁴⁰ 17 CFR 240.19c-1. Rule 19c-1 generally provides that no rule, policy, or practice of an exchange shall prohibit or condition or otherwise limit, directly or indirectly, the ability of any exchange member acting as agent to effect any transaction otherwise than on the exchange with another person (except where the member is also acting as agent for the other person) in any equity security listed on the exchange or to which unlisted trading privileges on the exchange have been extended.

⁴¹ 17 CFR 240.19c-3. Rule 19c-3 generally provides that no rule, policy, or practice of an exchange shall prohibit or condition or otherwise limit, directly or indirectly, the ability of any exchange member to effect any transaction otherwise than on the exchange in any reported security listed and registered on the exchange or as to which unlisted trading privileges on the exchange have been extended which is not a “covered security,” as defined in the rule.

⁴² 15 U.S.C. 78mm(a).

⁴³ 15 U.S.C. 78l(f)(1)(A)(i).

is listed and registered on a national securities exchange.

The Exchange believes that there is good cause for exemptive relief with respect to these provisions to promote efficiency, competition, and capital formation,⁴⁴ by facilitating the trading of security tokens in a manner that addresses structural impediments in the market for small market capitalization securities.

IV. *Proposed BSTX Rules*

The discussion in this Section IV addresses the proposed BSTX Rules that would be adopted as Rule Series 17000 through 28000.

A. General Provisions of BSTX and Definitions (Rule 17000 Series)

The Exchange proposes to adopt as its Rule 17000 Series (General Provisions of BSTX) a set of general provisions relating to the trading of security tokens and other rules governing participation on BSTX. Proposed Rule 17000 sets forth the defined terms used throughout the BSTX Rules. The majority of the proposed definitions are substantially similar to defined terms used in other equities exchange rulebooks, such as with respect to the term “customer.”⁴⁵ The Exchange proposes to set forth new definitions for certain terms to specifically identify systems, agreements, or persons as they relate to BSTX and as distinct from other Exchange systems, agreements, or persons that may be used in connection with the trading of other options on the Exchange.⁴⁶ The Exchange also proposes to define certain unique terms relating to the trading of

⁴⁴ 15 U.S.C. 78c(f).

⁴⁵ Proposed Rule 17000(a)(18) defines the term “customer” to not include a broker or dealer, which parallels the same definition in other exchange rulebooks. See e.g., IEX Rule 1.160(j). Similarly, the Exchange proposes to define the term “Regular Trading Hours” as the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See proposed Rule 17000(a)(29) cf. IEX Rule 1.160(gg) (defining “Regular Market Hours” in the same manner).

⁴⁶ For example, the Exchange proposes to define the term “BSTX” to mean the facility of the

security tokens, including: (i) “security token;”⁴⁷ (ii) “Approved Settlement Provider;”⁴⁸ (iii) “Carrying BSTX Participant;”⁴⁹ and “Wallet Manager.”⁵⁰ The terms “Approved Settlement Provider,” “Carrying BSTX Participant” and “Wallet Managers” are defined to help facilitate the clearance, settlement, and transfers relating to security token transactions that occur on BSTX. As discussed in greater detail below, pursuant to proposed Rule 18010(b) and (c), BSTX Participants would be required to enter into a written agreement with an Approved Settlement Provider and Wallet Manager, or a Carrying BSTX Participant that would facilitate these relationships on behalf of other BSTX Participants, in a form and manner acceptable to the Exchange. The Carrying BSTX Participant structure mimics the existing structure in securities markets of introducing broker-dealers who have a relationship with a carrying broker-dealer that

Exchange for executing transaction in security tokens, the term “BSTX Participant” to mean a Participant or Options Participant (as those terms are defined in the Exchange’s Rule 100 Series) that is authorized to trade security tokens, and the term “BSTX System” to mean the automated trading system used by BSTX for the trading of security tokens. See proposed Rule 17000(a)(9), (12), and (15).

⁴⁷ Proposed Rule 17000(a)(31) provides that the term “security token” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System. The proposed definition further specifies that references to a “security” or “securities” in the Rules include security tokens.

⁴⁸ Proposed Rule 17000(a)(4) defines the term “Approved Settlement Provider” to mean: (i) a registered clearing agency or clearing agency exempt from registration pursuant the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity, in the Exchange’s discretion, that may lawfully provide such functions. See also supra Sections II.E and H. for a discussion of the role of an Approved Settlement Provider.

⁴⁹ Proposed Rule 17000(a)(4) defines the term “Carrying BSTX Participant” to mean a BSTX Participant that has: : (i) entered into a written agreement with an Approved Settlement Provider and Wallet Manager pursuant to Exchange Rule 18010; and (ii) that has been designated by other BSTX Participants to facilitate settlement, custody, and transfers relating to security token transactions through its relationship with an Approved Settlement Provider and Wallet Manager.

⁵⁰ Proposed Rule 17000(a)(32) defines the term “Wallet Manager” a party approved by BSTX to operate software compatible with the BSTX Protocol on behalf of a BSTX Participant. See also supra Sections II.G and H. for a discussion of the role of a Wallet Manager.

is a member of registered clearing agency and that facilitates the custody, clearance, and settlement of securities transactions on behalf of the introducing broker.

In addition to setting forth proposed definitions used throughout the proposed Rules, the Exchange proposes to specify in proposed Rule 17010 (Applicability) that the Rules set forth in the Rule 17000 Series to Rule 27000 Series apply to the trading, listing, and related matters pertaining to the trading of security tokens. Proposed Rule 17010(b) provides that, unless specific Rules relating to security tokens govern or unless the context otherwise requires, the provisions of any Exchange Rule (i.e., including Exchange Rules in the Rule 100 through 16000 Series) shall be applicable to BSTX Participants.⁵¹ This is intended to make clear that BSTX Participants are subject to all of the Exchange's Rules that may be applicable to them, notwithstanding that their trading activity may be limited solely to trading security tokens.

Finally, proposed Rule 17020(b) would limit the ability of BSTX Participants to trade security tokens otherwise than on BSTX. This rule is intended to help promote greater liquidity in security tokens and address structural problems relating to the market for small market capitalization issuers, as discussed in Section III above. BSTX does, however, propose in Rule 17020(c) to allow BSTX Participants to facilitate the transfer of a security token otherwise than on BSTX by seeking exemptive relief from the Exchange to permit such activity in limited circumstances. The proposed rule further specifies that the Exchange may provide general exemptive authority via Regulatory Circular to, for example, specify that a gift or other transfer of security tokens not for value is permissible.

⁵¹ Proposed Rule 17010 further specifies that to the extent the provisions of the Rules relating to the trading of security tokens contained in Rule 17000 Series to Rule 27000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to security token trading shall control.

The Exchange believes that the proposed definitions set forth in Rule 17000 are consistent with Section 6(b)(5) of the Exchange Act⁵² because they protect investors and the public interest by setting forth clear definitions that help BSTX Participants understand and apply Exchange Rules. Without defining terms used in the Exchanges Rules clearly, market participants could be confused as to the application of certain rules, which could cause harm to investors.

The Exchange believes that restricting trading of security tokens to only BSTX under proposed Rule 17020 is consistent with Section 6(b)(5) of the Exchange Act⁵³ because doing so will help foster cooperation and coordination with persons engaged in regulating and facilitating transactions in securities and would protect investors and the public interest. By limiting trading to just BSTX, the Exchange will be able to surveil the entirety of the security token market and ensure an orderly introduction of equity securities that are able to use the functionality of distributed ledger technology to maintain record ownership and ensure that BSTX Participants are able to securely maintain and transfer their security tokens, which furthers the protection of investors and the public interest. Moreover, the Exchange believes that the proposed limitation is consistent with Section 3(f) of the Exchange Act⁵⁴ by facilitating the trading of security tokens in a manner that addresses structural problems in the market for small market capitalization securities, such as market fragmentation and dispersed liquidity. Given these considerations, the Exchange believes that it is appropriate to limit trading to BSTX.

The Exchange recognizes that proposed Rule 17020 would potentially conflict with Rules

⁵² 15 U.S.C. 78f(b)(5).

⁵³ 15 U.S.C. 78f(b)(5).

⁵⁴ 15 U.S.C. 78c(f).

19c-1⁵⁵ and 19c-3⁵⁶ under the Exchange Act which generally prohibit the rules of a national securities exchange from limiting the ability of its members from trading securities otherwise than on an exchange, as well as Section 12(f) of the Exchange Act, which generally allows exchanges to extend unlisted trading privileges to securities listed on a national securities exchange. However, as discussed in Section III above, the Exchange is seeking exemptive relief from the Commission with respect to these provisions.

B. Participation on BSTX (Rule 18000 Series)

The Exchange proposes to adopt as its Rule 18000 Series (Participation on BSTX), three rules setting forth certain requirements relating to participation on BSTX. Proposed Rule 18000 (BSTX Participation) establishes “BSTX Participants” as a new category of Exchange participation for effecting transactions on the BSTX System, provided they: (i) complete the BSTX Participant Application, Participation Agreement, and User Agreement;⁵⁷ (ii) be an existing Options Participant or become a Participant of the Exchange pursuant to the Rule 2000 Series; and (iii) provide such other information as required by the Exchange.⁵⁸ Proposed Rule 18010 (Requirements for BSTX Participants) sets forth certain requirements for BSTX Participants including in particular the requirement that each BSTX Participant must enter into a

⁵⁵ 17 CFR 240.19c-1.

⁵⁶ 17 CFR 240.19c-3.

⁵⁷ The BSTX Participant Application, Participation Agreement, and User Agreement are attached as Exhibits 3A, 3B, and 3C respectively.

⁵⁸ Proposed Rule 18000 also sets forth the Exchange’s review process regarding BSTX Participation Agreements and certain limitations on the ability to transfer BSTX Participant status (e.g., in the case of a change of control). In addition proposed Rule 18000(b)(2) provides that a BSTX Participant shall continue to abide by all applicable requirements of the Rule 2000 Series, which would include, for example, IM-2040-5, which specifies continuing education requirements of Exchange Participants and their associated persons.

written agreement in a form and manner acceptable to the Exchange with an Approved Settlement Provider⁵⁹ for the settlement and custody of security tokens. Under Proposed Rule 18010, BSTX Participants could alternatively enter into a written agreement with a Carrying BSTX Participant⁶⁰ for the settlement and custody of security token transactions provided the BSTX Participant provides the Exchange with a written statement identifying and describing the responsibilities of each Carrying BSTX Participant. These requirements are designed to ensure that BSTX Participants have an arrangement with an entity or entities that can facilitate the settlement and custody of security token transactions. Finally, proposed Rule 18020 (Associated Persons) provides that associated persons of a BSTX Participant are bound by the Rules of the Exchange to the same extent as each BSTX Participant.

The Exchange believes that the proposed Rule 18000 Series (Participation on BSTX) is consistent with Section 6(b)(5) of the Exchange Act⁶¹ because these proposed rules are designed to promote just and equitable principles of trade, and protect investors and the public interest by setting forth the requirements to become a BSTX Participant and specifying that associated persons of a BSTX Participant are bound by Exchange Rules. Under Proposed Rule 18000, BSTX Participants must first become an Exchange Participant pursuant to the Exchange Rule

⁵⁹ An “Approved Settlement Provider” is defined in proposed Rule 17000(a)(4) as (i) a registered clearing agency or clearing agency exempt from registration pursuant the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity, in the Exchange’s discretion, that may lawfully provide such functions.

⁶⁰ A “Carrying BSTX Participant” is defined in proposed Rule 17000(a)(16) as a BSTX Participant that has: (i) entered into a written agreement with an Approved Settlement Provider pursuant to Exchange Rule 18010(a) for the settlement and custody of security token transactions; and (ii) that has been designated by other BSTX Participants to facilitate the settlement and custody of their security token transactions through its relationship with an Approved Settlement Provider.

⁶¹ 15 U.S.C. 78f(b)(5).

2000 Series which the Exchange believes will help assure that BSTX Participants meet the necessary standard for trading on BSTX in furtherance of the protection of investors.⁶²

The Exchange believes that requiring BSTX Participants to enter into an agreement with an Approved Settlement Provider and Wallet Manager, or Carrying BSTX Participant with such relationships, is consistent with Section 6(b)(5) of the Exchange Act⁶³ because it is designed to “foster cooperation and coordination with persons engaged in clearing, settling, processing information with respect to, and facilitating transactions in securities” by establishing a means by which the security token transactions of BSTX Participants may be settled and securely transferred. The rules of other exchanges similarly require that members have arrangements with market participants, such as a clearing broker-dealer, to facilitate the settlement of transactions occurring on the exchange. These requirements apply equally to all BSTX Participants, and the Exchange believes they are designed to protect investors and the public interest by ensuring that the transactions of BSTX Participants, including their customers, can be appropriately settled and securely stored consistent with applicable regulatory requirements.

C. Business Conduct for BSTX Participants (Rule 19000 Series)

The Exchange proposes to adopt as its Rule 19000 Series (Business Conduct for BSTX Participants), twenty two rules relating to business conduct requirements for BSTX Participants that are substantially similar to business conduct rules of other exchanges.⁶⁴ The proposed Rule

⁶² The Exchange notes that the approach of requiring members of a facility of an exchange to first become members of the exchange is consistent with the approach used by another national securities exchange. See Cboe BZX Rule 17.1(b)(3) (requiring that a Cboe BZX options member be an existing member or become a member of the Cboe BZX equities exchange pursuant to the Cboe BZX Chapter II Series).

⁶³ 15 U.S.C. 78f(b)(5).

⁶⁴ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule 21040

19000 Series would specify business conduct requirements with respect to: (i) just and equitable principles of trade;⁶⁵ (ii) adherence to law;⁶⁶ (iii) use of fraudulent devices;⁶⁷ (iv) false statements;⁶⁸ (v) know your customer;⁶⁹ (vi) fair dealing with customers;⁷⁰ (vii) suitability;⁷¹ (viii) the prompt receipt and delivery of securities;⁷² (ix) charges for services performed;⁷³ (x) use of information obtained in a fiduciary capacity;⁷⁴ (xi) publication of transactions and

(Prevention of the Misuse of Material, Non-Public Information).

⁶⁵ Proposed Rule 19000 (Just and Equitable Principles of Trade) provides that no BSTX Participant, including its associated persons, shall engage in acts or practices inconsistent with just and equitable principles of trade.

⁶⁶ Proposed Rule 19010 (Adherence to Law) generally requires BSTX Participants to adhere to applicable laws and regulatory requirements.

⁶⁷ Proposed Rule 19020 (Use of Fraudulent Devices) generally prohibits BSTX Participants from effecting a transaction in any security by means of a manipulative, deceptive or other fraudulent device or contrivance.

⁶⁸ Proposed Rule 19030 (False Statements) generally prohibits BSTX Participants and their associated persons from making false statements or misrepresentations in communications with the Exchange.

⁶⁹ Proposed Rule 19040 (Know Your Customer) requires BSTX Participants to comply with FINRA Rule 2090 as if such rule were part of the Exchange Rules.

⁷⁰ Proposed Rule 19050 (Fair Dealing with Customers) generally requires BSTX Participants to deal fairly with customers and specifies certain activities that would violate the duty of fair dealing (e.g., churning or overtrading in relation to the objectives and financial situation of a customer).

⁷¹ Proposed Rule 19060 (Suitability) provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2111 as if such rule were part of the Exchange Rules.

⁷² Proposed Rule 19070 (Prompt Receipt and Delivery of Securities) would generally prohibit a BSTX Participant from accepting a customer's purchase order for a security until it can determine that the customer agrees to receive the securities against payment.

⁷³ Proposed Rule 19080 (Charges for Services Performed) generally requires that charges imposed on customers by broker-dealers shall be reasonable and not unfairly discriminatory.

⁷⁴ Proposed Rule 19090 (Use of Information Obtained in a Fiduciary Capacity) generally restricts the use of information as to the ownership of securities when acting in certain capacities (e.g., as a trustee).

quotations;⁷⁵ (xii) offers at stated prices;⁷⁶ (xiii) payments involving publications that influence the market price of a security;⁷⁷ (xiv) customer confirmations;⁷⁸ (xv) disclosure of a control relationship with an issuer of security tokens;⁷⁹ (xvi) discretionary accounts;⁸⁰ (xvii) improper use of customers' securities or funds and a prohibition against guarantees and sharing in accounts;⁸¹ (xviii) the extent to which sharing in accounts is permissible;⁸² (xix) communications with customers and the public;⁸³ (xx) gratuities;⁸⁴ (xxi) telemarketing;⁸⁵ and (xxii) mandatory

⁷⁵ Proposed Rule 19100 (Publication of Transactions and Quotations) generally prohibits a BSTX Participant from disseminating a transaction or quotation information unless the BSTX Participant believes it to be bona fide.

⁷⁶ Proposed Rule 19110 (Offers at Stated Prices) generally prohibits a BSTX Participant from offering to transact in a security at a stated price unless it is in fact prepared to do so.

⁷⁷ Proposed Rule 19120 (Payments Involving Publications that Influence the Market Price of a Security) generally prohibits direct or indirect payments with the aim of disseminating information that is intended to effect the price of a security.

⁷⁸ Proposed Rule 19130 (Customer Confirmations) requires that BSTX Participants comply with Rule 10b-10 of the Exchange Act. 17 CFR 240.10b-10.

⁷⁹ Proposed Rule 19140 (Disclosure of Control Relationship with Issuer) generally requires BSTX Participants to disclose any control relationship with an issuer of a security before effecting a transaction in that security for the customer.

⁸⁰ Proposed Rule 19150 (Discretionary Accounts) generally provides certain restrictions on BSTX Participants handling of discretionary accounts, such as by effecting excessive transactions or obtained authorization to exercise discretionary powers.

⁸¹ Proposed Rule 19160 (Improper Use of Customers' Securities or Funds and Prohibition against Guarantees and Sharing in Accounts) generally prohibits BSTX Participants from making improper use of customers securities or funds and prohibits guarantees to customers against losses.

⁸² Proposed Rule 19170 (Sharing in Accounts; Extent Permissible) generally prohibits BSTX Participants and their associated persons from sharing directly or indirectly in the profit or losses of the account of a customer unless certain exceptions apply such as where an associated person receives prior written authorization from the BSTX Participant with which he or she is associated.

⁸³ Proposed Rule 19180 (Communications with Customers and the Public) generally provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2210 as if

systems testing.⁸⁶ The Exchange notes that the proposed financial responsibility rules are virtually identical to those of other national securities exchanges other than changes to defined terms and certain other provisions that would not apply to the trading of security tokens on the BSTX System.⁸⁷

The Exchange believes that the proposed Rule 19000 Series (Business Conduct) is consistent with Section 6(b)(5) of the Exchange Act⁸⁸ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by setting forth appropriate standards of conduct applicable to BSTX Participants in carrying out their business activities. For example, proposed Rule 19000 (Just and Equitable Principles of Trade) and 19010 (Adherence to Law) would prohibit BSTX Participants from engaging in acts or practices inconsistent with just and equitable principles of trade or that would violate applicable laws and regulations. Similarly, proposed Rule 19050 (Fair Dealing with Customers) would require that BSTX Participants deal fairly with their customers and proposed Rule 19030 (False Statements) would generally prohibit

such rule were part of the Exchange Rules.

⁸⁴ Proposed Rule 19200 (Gratuities) requires BSTX Participants to comply with the requirements set forth in BOX Exchange Rule 3060 (Gratuities).

⁸⁵ Proposed Rule 19210 (Telemarketing) requires that BSTX Participants and their associated persons comply with FINRA Rule 3230 as if such rule were part of the Exchange's Rules.

⁸⁶ Proposed Rule 19220 (Mandatory Systems Testing) requires that BSTX Participants comply with Exchange Rule 3180 (Mandatory Systems Testing).

⁸⁷ For example, the Exchange is not proposing to adopt a rule contained in other exchanges' business conduct rules relating to disclosures that broker-dealers give to their customers regarding the risks of effecting securities transactions during times other than during regular trading hours (e.g., higher volatility, possibly lower liquidity) because executions may only occur during regular trading hours on the BSTX System. See e.g., IEX Rule 3.290, Cboe BZX Rule 3.21.

⁸⁸ 15 U.S.C. 78f(b)(5).

BSTX Participants, or their associated persons) from making false statements or misrepresentations to the Exchange. The Exchange believes that requiring that BSTX Participants comply with the proposed business conduct rules in the Rule 19000 Series would further the protection of investors and the public interest by promoting high standards of commercial honor and integrity. In addition, each of the rules in the proposed Rule 19000 Series (Business Conduct) is substantially similar to supervisory rules of other exchanges.⁸⁹

D. Financial and Operational Rules for BSTX Participants (Rule 20000 Series)

The Exchange proposes to adopt as its Rule 20000 Series (Financial and Operational Rules), ten rules relating to financial and operational requirements for BSTX Participants that are substantially similar to financial and operational rules of other exchanges.⁹⁰ The proposed Rule 20000 Series would specify financial and operational requirements with respect to: (i) maintenance and furnishing of books and records;⁹¹ (ii) financial reports;⁹² (iii) net capital compliance;⁹³ (iv) early warning notifications pursuant to Rule 17a-11 under the Exchange Act

⁸⁹ See supra n.64.

⁹⁰ See Cboe BZX Chapter 6 rules and IEX Chapter 5 rules.

⁹¹ Proposed Rule 20000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) requires that BSTX Participants comply with current Exchange Rule 1000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) and that BSTX Participants shall submit to the Exchange order, market and transaction data as the Exchange may specify by Information Circular.

⁹² Proposed Rule 20010 (Financial Reports) provides that BSTX Participants shall comply with the requirements of current Exchange Rule 10020 (Financial Reports).

⁹³ Proposed Rule 20020 (Capital Compliance) provides that each BSTX Participant subject to Rule 15c3-1 under the Exchange Act (17 CFR 240.15c3-1) shall comply with such rule and other financial and operational rules contained in the proposed Rule 20000 series.

(17 CFR 240.17a-11);⁹⁴ (v) authority of the Chief Regulatory Officer to impose certain restrictions;⁹⁵ (vi) margin;⁹⁶ (vii) day-trading margin;⁹⁷ (viii) customer account information;⁹⁸ (ix) maintaining records of customer complaints;⁹⁹ and (x) disclosure of financial condition.¹⁰⁰

The Exchange believes that the proposed Rule 20000 (Financial and Operational Rules) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁰¹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by subjecting BSTX Participants to certain recordkeeping, disclosure, and related requirements designed to ensure that BSTX Participants conduct themselves in a financially responsible manner. For example, proposed Rule 20000 would require BSTX Participants to comply with existing Exchange Rule 1000,

⁹⁴ Proposed Rule 20030 (“Early Warning” Notification) provides that BSTX Participants subject to the reporting or notifications requirements of Rule 17a-11 under the Exchange Act (17 CFR 240.17a-11) or similar “early warning” requirements imposed by other regulators shall provide the Exchange with certain reports and financial statements).

⁹⁵ Proposed Rule 20040 (Power of CRO to Impose Restrictions) generally provides that the Exchange’s Chief Regulatory Officer may impose restrictions and conditions on a BSTX Participant subject to the early warning notification requirements under certain circumstances).

⁹⁶ Proposed Rule 20050 (Margin) sets forth the required margin amounts for certain securities held in a customer’s margin account.

⁹⁷ Proposed Rule 20060 (Day Trading Margin) sets forth additional requirements with respect to customers that engage in day trading.

⁹⁸ Proposed Rule 20070 (Customer Account Information) requires that BSTX Participants comply with FINRA Rule 4512 as if such rule were part of the Exchange Rules and further clarifies certain cross-references within FINRA Rule 4512.

⁹⁹ Proposed Rule 20080 (Record of Written Customer Complaints) requires that BSTX Participants comply with FINRA Rule 4513 as if such rule were part of the Exchange Rules.

¹⁰⁰ Proposed Rule 20090 (Disclosure of Financial Condition) generally requires that BSTX Participants make available certain information regarding the BSTX Participant’s financial condition upon request of a customer.

¹⁰¹ 15 U.S.C. 78f(b)(5).

which sets forth certain recordkeeping responsibilities and the obligation to furnish these to the Exchange upon request so that the Exchange can appropriately monitor the financial condition of a BSTX Participant and its compliance with applicable regulatory requirements. Similarly, proposed Rule 20050 would set forth the margin requirements that BSTX Participants must retain with respect to customers trading in a margin account to ensure that BSTX Participants are not extending credit to customers in a manner that might put the financial condition of the BSTX Participant in jeopardy. Each of the proposed rules in the Rule 20000 Series (Financial and Operational Rules) is substantially similar to existing rules of other exchanges or incorporates an existing rule of the Exchange or another self-regulatory organization (“SRO”) by reference.

E. Supervision (Rule 21000 Series)

The Exchange proposes to adopt as its Rule 21000 Series (Supervision), six rules relating to certain supervisory requirements for BSTX Participants that are substantially similar to supervisory rules of other exchanges.¹⁰² The Proposed Rule 21000 Series would specify supervisory requirements with respect to: (i) enforcing written procedures to appropriately supervise the BSTX Participant’s conduct and compliance with applicable regulatory requirements;¹⁰³ (ii) designation of an individual to carry out written supervisory procedures;¹⁰⁴ (iii) maintenance and keeping of records carrying out the BSTX Participant’s written supervisory

¹⁰² See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information).

¹⁰³ Proposed Rule 21000 (Written Procedures).

¹⁰⁴ Proposed Rule 21010 (Responsibility of BSTX Participants) would also require that a copy of a BSTX’s written supervisory procedures be kept in each office and makes clear that final responsibility for proper supervision rests with the BSTX Participant.

procedures;¹⁰⁵ (iv) review of activities of each of a BSTX Participant's offices, including periodic examination of customer accounts to detect and prevent irregularities or abuses;¹⁰⁶ (v) the prevention of the misuse of material non-public information;¹⁰⁷ and (vi) implementation of an anti-money laundering ("AML") compliance program.¹⁰⁸ These rules are designed to ensure that BSTX Participants are able to appropriately supervise their business activities, review and maintain records with respect to such supervision, and enforce specific procedures relating insider-trading and AML.

The Exchange believes that the proposed Rule 21000 (Supervision) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁰⁹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participant have appropriate supervisory controls in place to carry out their business activities in compliance with applicable regulatory requirements. For example, proposed Rule 21000 (Written Procedures) would require BSTX Participants to enforce written procedures which enable them to supervise the activities of their associated persons and proposed Rule 21010 (Responsibility of BSTX Participants) would

¹⁰⁵ Proposed Rule 21020 (Records).

¹⁰⁶ Proposed Rule 21030 (Review of Activities).

¹⁰⁷ Proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information) generally requires BSTX Participants to enforce written procedures designed to prevent misuse of material non-public information and sets forth examples of conduct that would constitute a misuse of material, non-public information.

¹⁰⁸ Proposed Rule 21050 (Anti-Money Laundering Compliance Program). The Exchange already has rules with respect to Exchange Participants enforcing an AML compliance program set forth in Exchange Rule 10070 (Anti-Money Laundering Compliance Program), so proposed Rule 21050 specifies that BSTX Participants shall comply with the requirements of that pre-existing rule.

¹⁰⁹ 15 U.S.C. 78f(b)(5).

require a BSTX Participant to designate a person in each office to carry out written supervisory procedures. Requiring appropriate supervision of a BSTX Participant's business activities and associated persons should help promote compliance with the federal securities laws and other applicable regulatory requirements in furtherance of the protection of investors and the public interest. In addition, each of the rules in the proposed Rule 21000 Series (Supervision) is substantially similar to supervisory rules of other exchanges.¹¹⁰

F. Miscellaneous Provisions (Rule 22000 Series)

The Exchange proposes to adopt as its Rule 22000 Series (Miscellaneous Provisions), six rules relating to a variety of miscellaneous requirements applicable to BSTX Participants that are substantially similar to rules of other exchanges.¹¹¹ These miscellaneous provisions relate to: (i) comparison and settlement requirements;¹¹² (ii) failures to deliver and failures to receive;¹¹³ (iii) forwarding of proxy and other issuer-related materials;¹¹⁴ (iv) commissions;¹¹⁵ (v) regulatory

¹¹⁰ See *supra* n.102.

¹¹¹ See Cboe BZX Chapter 13 rules. See also IEX Rule 6.180 with respect to proposed Rule 22050 (Transactions Involving BOX Employees).

¹¹² Proposed Rule 22000 (Comparison and Settlement Requirements) provides that BSTX Participants that are a member of an Approved Settlement Provider shall implement comparison and settlement procedures as may be required by the Approved Settlement Provider. The proposed rule would further provide that, notwithstanding this general provision, the Board may extend or postpone the time of delivery of a BSTX transaction whenever the Board determines that it is called for by the public interest, just and equitable principles of trade or to address unusual conditions. In such a case, delivery will occur as directed by the Board.

¹¹³ Proposed Rule 22010 (Failure to Deliver and Failure to Receive) provides that borrowing and deliveries must be effected in accordance with Rule 203 of Regulation SHO (17 CFR 242.203) and incorporates Rules 200 – 203 of Regulation SHO by reference into the rule (17 CFR §§ 242.200 – 203).

¹¹⁴ Proposed Rule 22020 (Forwarding of Proxy and Other Information; Proxy Voting) generally provides that BSTX Participants shall forward proxy materials when requested by an issuer and sets forth certain conditions and limitations for BSTX Participants to give a proxy to vote stock that is registered in its name.

services agreements;¹¹⁶ and (vi) transactions involving Exchange employees.¹¹⁷ These rules are designed to capture additional regulatory requirements applicable to BSTX Participants, such as setting forth their obligation to deliver proxy materials at the request of an issuer and to incorporate by reference Rule 200 – 203 of Regulation SHO.¹¹⁸

Statutory Basis: The Exchange believes that the proposed Rule 22000 (Miscellaneous Provisions) Series is consistent with Section 6(b)(5) of the Exchange Act¹¹⁹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participants comply with additional regulatory requirements, such as Rule 203 of Regulation SHO¹²⁰ as provided in proposed Rule 22010 (Failure to Deliver and Failure to Receive), in connection with their participation on BSTX. For example, proposed Rule 22030 (Commissions) prohibits BSTX Participants from charging fixed rates of commissions for

¹¹⁵ Proposed Rule 22030 (Commissions) provides that the Exchange Rules or practices shall not be construed to allow a BSTX Participant or its associated persons to agree or arrange for the charging of fixed rates commissions for transactions on the Exchange.

¹¹⁶ Proposed Rule 22040 (Regulatory Service Agreement) provides that the Exchange may enter into regulatory services agreements with other SROs to assist in carrying out regulatory functions, but the Exchange shall retain ultimate legal responsibility for, and control of, its SRO responsibilities.

¹¹⁷ Proposed Rule 22040 (Transactions Involving Exchange Employees) sets forth conditions and limitations on a BSTX Participant provide loans or supporting the account of an Exchange employee (e.g., promptly obtaining and implementing an instruction from the employee to provide duplicate account statement to the Exchange) in order to mitigate any potential conflicts of interest that might arise from such a relationship.

¹¹⁸ 17 CFR §§ 242.200 – 203.

¹¹⁹ 15 U.S.C. 78f(b)(5).

¹²⁰ 17 CFR §§ 242.203.

transactions on the Exchange consistent with Section 6(e)(1) of the Exchange Act.¹²¹ Similarly, Proposed Rule 22050 (Transactions involving Exchange Employees) sets forth certain requirements and prohibitions relating to a BSTX Participant providing certain financial services to an Exchange employee, which the Exchange believes helps prevent potentially fraudulent and manipulative acts and practices and furthers the protection of investors and the public interest.

G. Trading Practice Rules (Rule 23000 Series)

Description: The Exchange proposes to adopt as its Rule 23000 Series (Trading Practice Rules), fourteen rules relating to trading practice requirements for BSTX Participants that are substantially similar to trading practice rules of other exchanges.¹²² The proposed Rule 23000 series would specify trading practice requirements related to: (i) market manipulation; (ii) fictitious transactions; (iii) excessive sales by a BSTX Participant; (iv) manipulative transactions; (v) dissemination of false information; (vi) prohibition against trading ahead of customer orders; (vii) joint activity; (viii) influencing data feeds; (ix) trade shredding; (x) best execution; (xi) publication of transactions and changes; (xii) trading ahead of research reports; (xiii) front running of block transactions; and (xiv) a prohibition against disruptive quoting and trading activity. The purpose of the trading practice rules is to set forth standards and rules relating to the trading conduct of BSTX Participants, primarily with respect to prohibiting forms of market manipulation and specifying certain obligations of broker-dealers have to their customers, such as the duty of best execution. For example, proposed Rule 23000 (Market Manipulation) sets forth a general prohibition against a BSTX Participant executing purchasing a security at successively higher prices or sales of a security at successively lower prices, or to otherwise

¹²¹ 15 U.S.C. 78f(e)(1).

¹²² See Cboe BZX Chapter 12 rules.

engage in activity for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security.¹²³ Proposed Rule 23010 (Fictitious Transactions) similarly prohibits BSTX Participants from fictitious transaction activity, such as executing a transaction which involves no beneficial change in ownership, and proposed Rule 23020 (Excessive Sales by a BSTX Participant) prohibits a BSTX Participant from executing purchases or sales in any security trading on the Exchange for an account any account in which it has an interest, which are excessive in view of the BSTX Participant's financial resources or in view of the market for such security.¹²⁴ Proposed Rule 23060 (Joint Activity) prohibits a BSTX Participants from directly or indirectly holding any interest or participation in any joint account for buying or selling a security traded on the Exchange unless reported to the Exchange with certain information provided and proposed Rule 23090 (Best Execution) reaffirms BSTX Participants best execution obligations to their customers.¹²⁵

¹²³ Proposed Rule 23030 (Manipulative Transactions) specifies further prohibitions relating to potential manipulation by prohibiting BSTX Participants from, among other things, participating or having any direct or indirect interest in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

¹²⁴ Other proposed rules relating to potential manipulation include: (i) Rule 23040 (Dissemination of False Information), which generally prohibits, consistent with Exchange Rule 3080, BSTX Participants from spreading information that is false or misleading; (ii) Rule 23070 (Influencing Data Feeds), which generally prohibits transactions to influence data feeds; (iii) Rule 23080 (Trade Shredding), which generally prohibits conduct that has the intent or effect of splitting any order in multiple smaller orders for the primary purpose of maximizing remuneration to the BSTX participant; (iv) Rule 23110 (Trading Ahead of Research Reports), which generally prohibits BSTX Participants from trading based on non-public advance knowledge of a research report and requires BSTX Participants to enforce policies and procedures to limit information flow from research personnel from trading personnel that might trade on such information; (v) Rule 23120 (Front Running Block Transactions), which incorporates FINRA Rule 5270 as though it were part of the Exchange's Rules; and (vi) Rule 23130 (Disruptive Quoting and Trading Activity Prohibited), which incorporates Exchange Rule 3220 by reference.

¹²⁵ In addition proposed Rule 23100 (Publication of Transactions and Changes) provides that the

Proposed Rule 23050 (Prohibition against Trading Ahead of Customer Orders) is substantially similar to FINRA 5320 and rules adopted by other exchanges,¹²⁶ and generally prohibits BSTX Participants from trading ahead of customer orders unless certain enumerated exceptions are available and requires BSTX Participants to have a written methodology in place governing execution priority to ensure compliance with the Rule. The Exchange proposes to adopt each of the exceptions to the prohibition against trading ahead of customer orders as provided in FINRA Rule 5320 other than those that would not apply to the trading of security tokens given the unique nature of certain aspects of BSTX.¹²⁷ For example, because security tokens will only trade on BSTX and there will consequently be no routing of orders in security tokens to other markets, the Exchange is not adopting the intermarket sweep order (“ISO”) exception.¹²⁸ Similarly, because trading in security tokens must occur on the BSTX System and OTC transactions will generally be restricted pursuant to proposed Rule 17020, the Exchange is not proposing to adopt the exception for riskless principal executions, which necessarily contemplates OTC transactions. For example, the riskless principal exception under FINRA Rule 5320.03 generally allows a broker-dealer holding a customer order in a security to execute a proprietary transaction in that security if it is for the purpose of facilitating that customer order,

Exchange will dissemination transaction information to appropriate data feeds, BSTX participants must provide information necessary to facilitate the dissemination of such information, and that an Exchange official shall be responsible for approving corrections to any reports transmitted over data feeds.

¹²⁶ See e.g., Cboe BZX Rule 12.6.

¹²⁷ The exceptions to the general prohibition against trading ahead of customer orders that the Exchange proposes to adopt without revision are the: (i) Large Orders and Institutional Account Exception; (ii) No-Knowledge Exception; and (iii) Bona-Fide Error Exception. See FINRA Rule 5320.01 and .02 cf. proposed Rule 23050(c) and (d).

¹²⁸ See FINRA Rule 5320.04. Trading on BSTX will be limited to regular trading hours, so the Exchange

which the broker-dealer would then sell to the customer in a principal capacity. Because proposed Rule 17020(b) provides that security tokens may not be traded otherwise than on BSTX riskless principal transactions would generally not be possible in security tokens (absent the Exchange providing exemptive relief pursuant to proposed Rule 17020(c)) and customer orders must be executed as agent on the BSTX System.

The Exchange similarly proposes to adopt the order handling guidance set forth in FINRA Rule 5320.07 other than provisions in that guidance that contemplate OTC transactions. Specifically, proposed Rule 23050(g) would provide that a BSTX Participant must make every effort to execute a marketable customer order that it receives fully and promptly. FINRA Rule 5320.07 includes the text of proposed Rule 23050(g), but generally provides in addition that where a broker-dealer has two customer orders that are marketable against each other, that the broker-dealer should make every effort to cross such orders against each other and that this can be satisfied by contemporaneously buying from the seller and selling to the buyer at the same price. This additional guidance contemplates OTC transactions such as crossing customer orders away from BSTX, which would conflict with proposed Rule 17020(b). Accordingly, the Exchange does not propose to adopt this further guidance from FINRA Rule 5320.07.

In addition, the exchange proposes to adopt a modified version of the exception set forth in FINRA Rule 5320.06 relating to minimum price improvement standards as proposed Rule 23050(f). Under proposed Rule 23050(f), BSTX Participants would be permitted to execute an order on a proprietary basis when holding an unexecuted limit order in that same security without being required to execute the held limit order provided that they give price improvement of \$0.01 to the unexecuted held limit order. While FINRA Rule 5320.06 sets forth alternate, lower price improvement standards for securities priced below \$1, the Exchange proposes to

adopt a uniform price improvement requirement of \$0.01 for a securities traded on the BSTX System consistent with the Exchange's proposed uniform minimum price variant of \$0.01 set forth in proposed Rule 25030. However, the Exchange notes that because of the restriction against trading otherwise than on BSTX in proposed Rule 17020(b), the execution of the held limit order would still have to occur on BSTX and could not be done as a principal execution.¹²⁹ Accordingly, the minimum price improvement provided by the BSTX Participant to the unexecuted held limit order of at least \$0.01 must result from a transaction on BSTX.¹³⁰

Finally, the Exchange proposes to adopt an exception for bona fide error transactions as proposed Rule 25030(e) which would allow a BSTX Participant to trade ahead of a customer order if the trade is to correct a bona fide error, as defined in the rule. This is proposed exception is nearly identical to similar exceptions of other exchanges¹³¹ except other exchange rules also provide an exception whereby a firms may submit a proprietary order ahead of a customer order to offset a customer order that is in an amount than a round lot (i.e., 100 shares). The Exchange is not adopting an exception for odd-lot orders under these circumstances because the minimum unit of trading for security tokens pursuant to proposed Rule 25020 is one security token. The Exchange believes that there may be a notable amount of trading in amounts of less than 100 security tokens (i.e., trading in odd-lot amounts), and the Exchange accordingly does not believe that it is appropriate to allow BSTX Participants to trade ahead of customer orders just to offset

¹²⁹ As previously noted, the Exchange is seeking exemptive relief from the Commission that would permit trading in security tokens to be limited to national securities exchange able to support trading in security tokens. See supra notes 55-56 and accompanying text.

¹³⁰ If it is not possible for a BSTX Participant to effect a trade on BSTX to achieve price improvement of \$0.01, the BSTX Participant could rebate or otherwise compensate the customer to provide price improvement with respect to that order under proposed Rule 23050(g).

¹³¹ See e.g., Cboe BZX Rule 12.5.05.

an odd-lot customer order.

The Exchange believes that the proposed Rule 23000 Series relating to trading practice rules is consistent with Section 6(b)(5) of the Exchange Act¹³² because these proposed rules are designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade. The proposed rules in the Rule 23000 Series are substantially similar to the rules of other exchanges and generally include variety of prohibitions against types of trading activity or other conduct that could potentially be manipulative, such as a prohibition against market manipulation, fictitious transactions, and the dissemination of false information. The Exchange has proposed to exclude certain provisions from, or make certain modifications to, comparable rules of other SROs, as detailed above, in order to account for certain unique aspects related to security token such as that security tokens may only trade on BSTX. For example, the Exchange has declined to adopt an exception to the general prohibition against trading ahead of customer order for riskless principal executions because a riskless principal execution necessarily contemplates an off-exchange transaction. The Exchange believes that it is consistent with applicable requirements under the Exchange Act to exclude these provisions and exceptions because they would set forth rules that would not apply to BSTX Participants trading in security tokens are not necessary for the Exchange to carry out its functions of facilitating security token transactions regulating BSTX Participants.

H. Disciplinary Rules (Rule 24000 Series)

With respect to disciplinary matters, the Exchange proposes to adopt Rule 24000 (Discipline and Summary Suspension), which provides that the provisions of the Exchange Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of

¹³² 15 U.S.C. 78f(b)(5).

Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System. The Exchange already has a rules pertaining to discipline and suspension of Exchange Participants that it proposes to extend to BSTX Participants and trading on the BSTX System. The Exchange also proposes to adopt as Rule 24010 a minor rule violation plan with respect to transactions on BSTX.¹³³

Proposed Rule 24000 incorporates by reference existing rules that have already been approved by the Commission.

I. Trading Rules and the BSTX System (Rule 25000 Series)

1. Rule 25000 – Access to and Conduct on the BSTX Marketplace)

The Exchange proposes to adopt Rule 25000 (Access to and Conduct on the BSTX Marketplace) to set forth rules relating to access to the BSTX System and certain conduct requirements applicable to BSTX Participants. Specifically, proposed Rule 25000 provides that only BSTX Participants, including their associated persons, that are approved for trading on the BSTX System shall effect any transaction on the BSTX System. Proposed Rule 25000(b) generally requires that a BSTX Participant maintain a list of authorized traders that may obtain access to the BSTX System on behalf of the BSTX Participant, have procedures in place reasonably designed to ensure that all authorized traders comply with Exchange Rules and to prevent unauthorized access to the BSTX System, and to provide the list of authorized traders to the Exchange upon request. Proposed Rule 25000(c) and (d) restates provisions that are already set forth in Exchange Rule 7000, generally providing that BSX Participants shall not engage in conduct that is inconsistent with the maintenance of a fair and orderly market or the ordinary and

¹³³ The proposed additions to the Exchange's minor rule violation plan pursuant to proposed Rule 25010 are discussed below in Section V.

efficient conduct of business, as well as conduct that is likely to impair public confidence in the operations of the Exchange. Examples of such prohibited conduct include failure to abide by a determination of the Exchange, refusal to provide information requested by the Exchange, and failure to adequately supervise employees. Proposed Rule 25000(f) provides the Exchange with authority to suspend or terminate access to the BSTX System under certain circumstances.

The Exchange believes that proposed Rule 25000 is consistent with Section 6(b)(5) of the Exchange Act¹³⁴ because it is designed to protect investors and the public interest and promote just and equitable principles of trade by ensuring that BSTX Participants do not allow for unauthorized access to the BSTX System and do not engage in conduct detrimental to the maintenance of fair and orderly markets.

2. Rule 25010 – Days/Hours

Proposed Rule 25010 sets forth the days and hours during which BSTX will be open for business and during which transactions may be effected on the BSTX System. Under the proposed rule, transactions may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time. The proposed rule also specifies certain holidays BSTX will be not be open (e.g., New Year's Day) and provides that the Chief Executive Officer, President, or Chief Regulatory Officer of the exchange, or such person's designee who is a senior officer of the Exchange, shall have the power to halt or suspend trading in any security tokens, close some or all of BSTX's facilities, and determine the duration of any such halt, suspension, or closing, when such person deems the action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

The Exchange believes that proposed Rule 25010 is designed to protect investors and the

¹³⁴ 15 U.S.C. 78f(b)(5).

public interest, consistent with Section 6(b)(5) of the Exchange Act,¹³⁵ by setting forth the days and hours that trades may be effected on the BSTX System and by providing officers of the Exchange with the authority to halt or suspend trading when such officers believe that such action is necessary or appropriate to maintain fair and orderly markets or to protect investors or in the public interest.

3. Rule 25020 – Units of Trading

Proposed Rule 25020 sets forth the minimum unit of trading on the BSTX System, which shall be one security token. The Exchange believes that proposed Rule 25020 is consistent with Section 6(b)(5) of the Exchange Act¹³⁶ because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum unit of trading of security tokens on the BSTX System. In addition, other exchanges similarly provide that the minimum unit of trading is one share for their market and/or for certain securities.¹³⁷

4. Rule 25030 – Minimum Price Variant

Proposed Rule 25030 provides the minimum price variant for security tokens shall be \$0.01. The Exchange believes that proposed Rule 25030 is consistent with Section 6(b)(5) of the Exchange Act because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum price variant for security tokens and promotes compliance with Rule 612 of Regulation NMS.¹³⁸ Under Rule 612 of Regulation NMS, the Exchange is, among other things, prohibited from displaying, ranking or accepting

¹³⁵ 15 U.S.C. 78f(b)(5).

¹³⁶ 15 U.S.C. 78f(b)(5).

¹³⁷ See e.g., IEX Rule 11.180.

¹³⁸ 17 CFR 242.611.

from any person a bid or offer or order in an NMS stock in an increment smaller than \$0.01 if that bid or offer or order is priced equal to or greater than \$1.00 per share. Where a bid or offer or order is priced less than or equal to \$1.00 per share, the minimum acceptable increment is \$0.0001. Proposed Rule 25030 sets a uniform minimum price variant for all security of \$0.01 irrespective of whether the security token is trading below \$1.00.

5. Rule 25040 – Opening the Marketplace

Proposed Rule 25040 sets forth the opening process for the BSTX System, allowing for order entry to commence at 8:30 a.m. ET during the Pre-Opening Phase. The proposed rule provides that orders will not execute during the Pre-Opening Phase, which lasts until regular trading hours begins at 9:30 a.m. ET.¹³⁹ Similar to how the Exchange’s opening process works for options trading, BSTX will disseminate a theoretical opening price (“TOP”) to BSTX Participants, which is the price at which the opening match would occur at a given moment in time.¹⁴⁰ Under the proposed rule, the quantity that would match at the TOP is also disseminated to BSTX Participants along with the total quantity of any orders which are at a better price (i.e., bid higher or offer lower) than the TOP, and the TOP is recalculated and disseminated every time a new order is received or canceled and where such event causes the TOP price or quantity to change.

With respect to priority during the opening match, consistent with proposed Rule 25080 (Execution and Price/Time Priority), among multiple orders at the same price, execution priority during the opening match is determined based on the time the order was received by the BSTX

¹³⁹ As a result, order marked IOC submitted during the Pre-Opening Phased will be rejected by the BSTX System. Proposed Rule 25040(g).

¹⁴⁰ The TOP can only be calculated where the BSTX Book is crossed during the Pre-Opening Phase. See Proposed Rule 25040(b).

System.

Consistent with the manner in which the Exchange opens options trading, the BSTX System will determine a single price at which a particular security token will be opened by calculating the optimum number of security tokens that could be matched at a price, taking into consideration all the orders on the BSTX Book.¹⁴¹ The proposed rule provides that the opening match price is the price which result in the matching of the highest number of security tokens. If two or more prices would satisfy this maximum quantity criteria, the price leaving the fewest resting security tokens in the BSTX Book will be selected at the opening price and where two or more prices would satisfy the maximum quantity criteria and leave the fewest security tokens in the BSTX Book, the price closest to the previous day's closing price will be selected. Unexecuted trading interest during the opening match will move to the BSTX Book and will preserve price time priority.

With respect to new security tokens that have not previously traded on BSTX, the opening price will be the price assigned to the security token by BSTX, referred to as the "reference price."¹⁴² BSTX will work with issuers of new security tokens and their underwriters to determine the appropriate reference price for such security tokens first day of trading.

Where the BSTX System cannot determine an opening price of a security token at the start of regular trading hours, BSTX will nevertheless open the security token for trading and move all trading interest received during the Pre-Opening Phase to the BSTX Book.

Consistent with Section 6(b)(5) of the Exchange Act,¹⁴³ the Exchange believes that the

¹⁴¹ Proposed Rule 25040(d)(2).

¹⁴² Proposed Rule 25040(d)(2)(iii).

¹⁴³ 15 U.S.C. 78f(b)(5).

proposed process for opening trading in security tokens will promote just and equitable principles of trade and will help perfect the mechanism of a free and open market by establishing a uniform process to determine the opening price of security tokens. Proposed Rule 25040 provides a mechanism by which BSTX Participants may submit orders in advance of the start of regular trading hours, perform an opening cross, and commence regular hours trading in security tokens. Where an opening cross is not possible, the Exchange will proceed by opening regular hours trading in the security token anyway, which is consistent with the manner in which other exchanges open trading in securities.¹⁴⁴ With respect to initial public offerings of security tokens, BSTX proposes to use a predetermined reference price to initiate trading in the security token. There are a variety of different ways in which an exchange can open trading in securities, including with respect to initial public offerings, and the Exchange believes that proposed Rule 25040 provides a simple and clear method for opening transactions that is consistent with the protection of investors and the public interest. Additionally, proposed Rule 25040 applies to all BSTX Participants in the same manner and is therefore not designed to permit unfair discrimination among BSTX Participants.

6. Rule 25050 – Trading Halts

BSTX proposes to adopt rules relating to trading halts that are substantially similar to other exchange rules adopted in connection with the NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”). BSTX is not joining the LULD plan given that security tokens will only be eligible for trading on BSTX. As a result, rules relating to the LULD Plan, routing of orders, and other rules contemplated by the LULD Plan have been omitted from the proposed rules. Below is an explanation of BSTX’s approach to certain categories of orders during a

¹⁴⁴ See e.g., BOX Rule 7070.

trading halt:

- Short Sales – BSTX cancels all orders on the book during a halt and rejects any new orders, so rules relating to the repricing of short sale orders during a trading halt have been omitted.
- Pegged Orders -- BSTX will not support pegged orders, at least initially, so rules relating to pegged orders during a trading halt have been omitted.
- Routable Orders – Because BSTX will be the only exchange for trading security tokens, rules relating to handling of routable orders during a trading halt have been omitted
- Limit Orders – Because BSTX will cancel resting order interest and reject incoming orders during a trading halt, specific rules relating to the repricing of limit-priced interest (BZX Rule 11.18(e)(5)(B) have been omitted.
- Auction Orders, Market Orders, FOK Orders, and IOC Orders – BSTX will not support these order types, at least initially, so rules relating to these order types during a trading halt have been omitted.

BSTX is not joining the LULD plan given that security tokens will only be eligible for trading on BSTX, and therefore believes that it is not necessary to join a plan designed for intermarket coordination relating to trading halts at this time. Nevertheless, BSTX believes that it is in the public interest and furthers the protection of investors, consistent with Section 6(b)(5) of the Exchange Act¹⁴⁵ to provide for a mechanism to halt trading in security tokens during periods of extraordinary market volatility. The Exchange has excluded rules relating to order types and other aspects of the LULD Plan that will not be supported by the Exchange, such as

¹⁴⁵ 15 U.S.C. 78f(b)(5).

market orders and auction orders. The Exchange has also reserved the right in proposed Rule 25050(e) to halt or suspend trading in other circumstances where the Exchange deems it necessary to do so for the protection of investors and in the furtherance of the public interest.

The Exchange believes that canceling resting order interest during a trading halt and rejecting incoming orders received during the trading halt is consistent with Section 6(b)(5) of the Exchange Act because it is not designed to permit unfair discrimination among BSTX Participants. The orders and trading interest of all BSTX Participants would be canceled in the event of a trading halt and each BSTX Participant would be required to resubmit any orders they had resting on the order book.

7. Rule 25060 – Order Entry

Proposed Rule 25060 sets forth the manner in which BSTX Participants may enter orders to the BSTX System. The BSTX System will initially only support limit orders. Orders that do not designate a limit price will be rejected.¹⁴⁶ The BSTX System will also only support two time-in-force (“TIF”) designations initially: (i) DAY; and (ii) immediate or cancel (“IOC”). DAY orders will queue during the Pre-Opening Phase, may trade during regular market hours, and, if unexecuted at the close of the trading day (4:00 p.m. ET), are canceled by the BSTX System.¹⁴⁷ All orders are given a default TIF of DAY. BSTX Participants may also designate orders as IOC, which designation overrides the default TIF of DAY. IOC orders are not accepted by the BSTX System during the Pre-Opening Phase. During regular trading hours, IOC orders will execute in whole or in part immediately upon receipt by the BSTX System. The BSTX System will not support modification of resting orders. To change the price or quantity of

¹⁴⁶ Proposed Rule 25060(c)(1).

¹⁴⁷ Proposed Rule 25060(d)(1).

an order resting on the BSTX Book, a BSTX Participant must cancel the resting order and submit a new order, which will result in a new time stamp for purposes of BSTX Book priority. In addition, all orders on BSTX will be displayed, and the BSTX System will not support hidden orders or undisplayed liquidity, as set forth in proposed Rule 25100.

Consistent with Section 6(b)(5) of the Exchange Act,¹⁴⁸ the Exchange believes that the proposed order entry rules will promote just and equitable principles of trade and help perfect the mechanism of a free and open market by establishing the types of orders and modifiers that all BSTX Participants may use in entering orders to the BSTX System. Because these order types and TIFs are available to all BSTX Participants, the proposed rule does not unfairly discriminate among market participants, consistent with Section 6(b)(5) of the Exchange Act. The proposed rule sets forth a very simple exchange model whereby there is only one order type—limit orders—and two TIFs. There will be no hidden orders, price sliding, pegged orders, or other order type features that add some amount of complexity upon the initial launch of BSTX. The Exchange believes that creating a simplified exchange model is designed to protect investors and is in the public interest because it reduces complexity, thereby helping market participants better understand how orders will operate on the BSTX System. As previously noted, security tokens will only trade on BSTX. Consequently, there is no need for ISO orders, which are used to sweep better-priced away orders on other markets.

8. Rule 25070 – Audit Trail

Proposed Rule 25070 (Audit Trail) is designed to ensure that BSTX Participants provide the Exchange with information to be able to identify the source of a particular order and other information necessary to carry out the Exchange's oversight functions. The proposed rule is

¹⁴⁸ 15 U.S.C. 78f(b)(5).

substantially similar to existing BOX Rule 7120, but eliminates certain information unique to orders for options contracts (e.g., exercise price) because security tokens are equity securities. The proposed rule also provides that BSTX Participants that employ an electronic order routing or order management system that complies with Exchange requirements will be deemed to comply with the Rule if the required information is recorded in an electronic format. The proposed rule also specifies that order information must be kept for no less than three years and that where specific customer or account number information is not provided to the Exchange, BSTX Participants must maintain such information on their books and records.

The Exchange believes that proposed Rule 25070 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,¹⁴⁹ because it will provide the Exchange with information necessary to carry out its oversight role. Without being able to identify the source and terms of a particular order, the Exchange's ability to adequately surveil its market, with or through another self-regulatory organization, for trading inconsistent with applicable regulatory requirements would be impeded. In order to promote compliance with Rule 201 of Regulation SHO, proposed Rule 25080(b)(3) provides that when a short sale price test restriction is in effect, the execution price of the short sale order must be higher than (i.e., above) the best bid, unless the sell order is marked "short exempt" pursuant to Regulation SHO.

9. Rule 25080 – Execution and Price Time Priority

Proposed Rule 25080 governs the execution of orders on the BSTX System, providing a price-time priority model. The proposed rule provides that orders of BSTX Participants shall be ranked and maintained in the BSTX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry. The proposed rule further provides

¹⁴⁹ 15 U.S.C. 78f(b)(5).

that sell orders may not execute a price below the best bid in the marketplace and buy orders cannot execute at a price above the best offer in the marketplace.

The Exchange believes that proposed Rule 25080 is consistent with Section 6(b)(5) of the Exchange Act¹⁵⁰ because it is designed to promote just and equitable principles of trade and foster cooperation and coordination with persons facilitating transactions in securities by setting forth the order execution priority scheme for security token transactions. Numerous other exchanges similarly operate a price-time priority structure for effecting transactions. The proposed rule also does not permit unfair discrimination among BSTX Participants because all BSTX Participants are subject to the same price-time priority structure. In addition, the Exchange believes that specifying in proposed Rule 25080(b)(3) that execution of short sale orders when a short sale price test restriction is in effect must occur at a price above the best bid unless the order is market “short exempt,” is consistent with the Exchange Act because it is intended promote compliance with Regulation SHO in furtherance of the protection of investors and the public interest.

10. Rule 25090 – BSTX Risk Controls

Proposed Rule 25090 sets forth certain risk controls applicable to orders submitted to the BSTX System. The proposed risk controls are designed to prevent the submission and execution of potentially erroneous orders. Under the proposed rule, the BSTX System will reject orders that exceed a maximum order size, as designated by each BSTX Participant. The Exchange, however may set default values for this control. The proposed rule also provides a means by which all of a BSTX’s participant’s orders will be canceled in the event that the BSTX Participant loses its connection to the BSTX System. Proposed Rule 25090(c) provides a risk

¹⁵⁰ 15 U.S.C. 78f(b)(5).

control that prevents incoming limit orders from being accepted by the BSTX System if the order's price is more than a designated percentage away from the prevailing best bid or offer in the marketplace. Proposed Rule 25090(d) provides a maximum order rate control whereby the BSTX System will reject an incoming order if the rate of orders received by the BSTX System exceeds a designated threshold. With respect to both of these risk controls (price protection for limit orders and maximum order rate), BSTX Participants may designate the appropriate thresholds, but the Exchange may also provide default values and mandatory minimum levels.

The Exchange believes the proposed risk controls in Rule 25090 are consistent with Section 6(b)(5) of the Exchange Act¹⁵¹ because they are designed to help prevent the execution of potentially erroneous orders which furthers the protection of investors and the public interest. Among other things, erroneous orders can be disruptive to the operation of an exchange marketplace, can lead to temporary price dislocations, and can hinder price formation. The Exchange believes that offering configurable risk controls to BSTX Participants, along with default values where a BSTX Participant has not designated its desired controls, will protect investors by reducing the number of erroneous executions on the BSTX System and will remove impediments to and perfect the mechanism of a free and open market system. The proposed risk controls are also similar to existing risk controls provided by the Exchange to Options Participants.

11. Rule 25100 – Trade Execution, Reporting, and Dissemination of Quotations

Proposed Rule 25100 provides that the exchange shall collect and disseminate last sale information for transactions executed on the BSTX system. The proposed rule further provides

¹⁵¹ 15 U.S.C. 78f(b)(5).

that the aggregate of the best-ranked non-marketable Limit Order(s), pursuant to Rule 25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination. The Exchange is establishing a transaction reporting plan that would govern the collection and dissemination of quotation information and transaction reports for security tokens. Proposed Rule 25100 further provides that the BSTX System will operate as an “automated market center” within the meaning of Regulation NMS and will display “automated quotations” at all times except in the event of a system malfunction.¹⁵² The Exchange will disseminate last sale and quotation information pursuant to a new transaction reporting plan pursuant to Section 11A of the Exchange Act.¹⁵³ BSTX Participants may obtain access to this information through the securities information processor.

The Exchange believes that proposed Rule 25100 is consistent with Section 6(b)(5) of the Exchange Act¹⁵⁴ because it will foster cooperation and coordination with persons processing information with respect to, and facilitating transactions in securities by requiring the Exchange to collect and disseminate quotation and last sale transaction information to market participants.

¹⁵² 17 CFR 242.600(b)(4) and (5). The general purpose of an exchange being deemed an “automated trading center” displaying “automated quotations” relates to whether or not an exchange’s quotations may be considered protected under Regulation NMS. *See* Exchange Act Release No. 51808, 70 FR 37495, 37520 (June 29, 2005). Other trading centers may not effect transactions that would trade through a protected quotation of another trading center. Because security tokens will initially only trade on BSTX, there will be no other trading centers that could trade through the prevailing best bid or offer on the BSTX System. Nevertheless, the Exchange believes that it is useful to specify that it will operate as an automated trading center at this time to make clear to market participants that it is not operating a manual market with respect to security tokens.

¹⁵³ 15 U.S.C. 78k-1.

¹⁵⁴ 15 U.S.C. 78f(b)(5).

BSTX Participants will need last sale and quotation information to effectively trade on the BSTX System, and proposed Rule 25100 sets forth the requirement for the Exchange to provide this information as well as the information to be provided. The proposed rule is similar to rules of other exchanges relating to the dissemination of last sale and quotation information, but omits certain provisions, such as identifying trades executed pursuant to an exception or exemption from Rule 611 of Regulation NMS,¹⁵⁵ because such provisions are not necessary given that security tokens will only trade on BSTX.

12. Rule 25110 – Clearly Erroneous

Proposed Rule 25110 sets forth the manner in which BSTX will resolve clearly erroneous executions that might occur on the BSTX System and is substantially similar to comparable clearly erroneous rules on other exchanges. Under proposed Rule 25100, transactions that involve an obvious error such as price or quantity, may be canceled after review and a determination by an officer of BSTX or such other employee designee of BSTX (“Official”).¹⁵⁶ BSTX Participants that believe they submitted an order erroneously to the Exchange may request a review of the transaction, and must do so within thirty (30) minutes of execution and provide certain information, including the factual basis for believing that the trade is clearly erroneous, to the Official.¹⁵⁷ Under proposed Rule 25100(c), an Official may determine that a transaction is clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is

¹⁵⁵ See e.g., IEX Rule 11.240(b).

¹⁵⁶ A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from all relevant data feeds disseminating last sale information for security token transactions. Proposed Rule 25110(a).

¹⁵⁷ Proposed Rule 25110(b). The Official may also consider certain “outlier” transactions on a case by case basis where the request for review is submitted after 30 minutes but no longer than sixty (60) minutes after the transaction. Proposed Rule 2511(d).

greater than (less than) the “Reference Price”¹⁵⁸ by an amount that equals or exceeds specified “Numerical Guidelines.”¹⁵⁹ The Official may consider additional factors in determining whether a transaction is clearly erroneous, such as whether trading in the security had recently halted or overall market conditions.¹⁶⁰ Similar to other exchanges clearly erroneous rules, the Exchange may determine that trades are clearly erroneous in certain circumstances such as during a system disruption or malfunction, on a BSTX Officer’s (or senior employee designee) own motion, during a trading halt, or with respect to a series of transactions over multiple days.¹⁶¹ Under proposed Rule 25110(e)(2), BSTX Participants affected by a determination by an Official may appeal this decision to the Chief Regulatory Officer of BSTX, provided such appeal is made within thirty (30) minutes after the party making the appeal is given notice of the initial determination being appealed.¹⁶² The Chief Regulatory Officer’s determination shall constitute final action by the Exchange on the matter at issue pursuant to proposed Rule 25110(e)(2)(ii).

¹⁵⁸ The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for in circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest. Proposed Rule 25110(c)(1).

¹⁵⁹ The proposed Numerical Guidelines are 10% where the Reference Price ranges from \$0.00 to \$25.00, 5% where the Reference Price is greater than \$25.00 up to and including \$50.00, and 3% where the Reference Price ranges is greater than \$50. Proposed Rule 25110(c)(2).

¹⁶⁰ Proposed Rule 25110(c)(1).

¹⁶¹ See proposed Rule 25110(f) – (i). These provisions are virtually identical to similar provisions of other exchanges’ clearly erroneous rules other than by making certain administrative edits (e.g., replacing the term “security” with “security token”).

¹⁶² Determinations by an Official pursuant to proposed Rule 25110(f) relating to system disruptions or malfunctions may not be appealed if the Official made a determination that the nullification of transactions was necessary for the maintenance of a fair and orderly market or the protection of invests and the public interest. Proposed Rule 25110(d)(2).

The Exchange believes that proposed Rule 25110 is consistent with Section 6(b)(5) of the Exchange Act,¹⁶³ because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system by setting forth the process by which clearly erroneous trades on the BSTX System may be identified and remedied. Proposed Rule 25110 would apply equally to all BSTX Participants and is therefore not designed to permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act.¹⁶⁴ The proposed rule is substantially similar to the clearly erroneous rules of other exchanges,¹⁶⁵ with certain exceptions to address the fact BSTX will only trade security tokens and such security tokens will only trade on BSTX. For example, proposed Rule 25110 does not include provisions related to clearly erroneous transactions for routed orders because orders for security tokens will not route to other exchanges.¹⁶⁶ Security tokens will also only trade during regular trading hours (i.e., 9:30 a.m. ET to 4:00 p.m. ET), so provisions from comparable exchange rules relating to clearly erroneous executions occurring outside of regular trading hours have been excluded. Proposed Rule 25110 also excludes provisions from comparable clearly erroneous rules of other exchanges relating to

¹⁶³ 15 U.S.C. 78f(b)(5).

¹⁶⁴ Id.

¹⁶⁵ See e.g., Cboe BZX Rule 11.17. Similar to other exchanges' comparable rules, proposed Rule 25110 provides BSTX with the ability to determine clearly erroneous trades that result from a system disruption or malfunction, a BSTX Official acting on his or her own motion, trading halts, and for multi-day trading events.

¹⁶⁶ Other exchange clearly erroneous rules reference removing trades from the Consolidated Tape. Because security token transactions will be reported pursuant to a separate transaction reporting plan, proposed Rule 25110 eliminates references to the "Consolidated Tape" and provides that clearly erroneous security token transactions will be removed from "all relevant data feeds disseminating last sale information for security token transactions." See proposed Rule 25110(a).

clearly erroneous executions in: (i) Leverage ETF/ETNs; (ii) unlisted trading privileges securities that are subject to an initial public offering; and (iii) securities subject to the National Market System Plan to address extraordinary market volatility. These provisions have been excluded because BSTX will not support trading of these securities so the provisions are unnecessary. In addition, proposed Rule 25110 also excludes the provision from comparable clearly erroneous rules of other exchanges relating to multi-stock events involving 20 or more securities and the specific numerical thresholds applicable to multi-stock events. The Exchange believes it is not necessary to include rules relating to multi-stock events because security tokens will only trade on BSTX and the clearly erroneous provisions for single security token events are sufficient to address clearly erroneous transactions in security tokens.¹⁶⁷ The Exchange believes that not including the aforementioned provisions in proposed Rule 25110 will provide clarity to the BSTX Rulebook, in furtherance of the protection of investors and the public interest which benefit from clear rules, by excluding items that do not apply to the trading of security tokens.

The Exchange believes that its proposed process for BSTX Participants to appeal clearly erroneous execution determinations made by an Exchange Official pursuant to proposed Rule 25110 to the Chief Regulatory Officer of BSTX is consistent with Section 6(b)(5) of the Exchange Act¹⁶⁸ because it promotes just and equitable principles of trade and fosters cooperation and coordination with persons regulating, settling, and facilitating transactions in securities by providing a clear and expedient process to appeal determinations made by an

¹⁶⁷ Provisions from other comparable exchange rules relating to clearly erroneous executions relating to multi-stock events also contemplate coordination with other market centers trading those securities, which would not be necessary with respect to security tokens because they will only trade on BSTX.

¹⁶⁸ 15 U.S.C. 78f(b)(5).

Official. BSTX Participants benefit from having a quick resolution to potentially clearly erroneous executions and giving the Chief Regulatory Officer discretion to decide any appeals of an Official's determination provides an efficient means to resolve potential appeals that applies equally to all BSTX Participants and therefore does not permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act. The Exchange notes that, with respect to options trading on the Exchange, the Exchange's Chief Regulatory Officer similarly has sole authority to overturn or modify obvious error determinations made by an Exchange Official and that such determination constitutes final Exchange action on the matter at issue.¹⁶⁹ In addition, proposed Rule 25110(e)(2)(iii) provides that any determination made by an Official or the Chief Regulatory Officer of BSTX under proposed Rule 25110 shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration. Accordingly, there is an additional safeguard in place for BSTX Participants to seek further review of the Exchange's clearly erroneous determination.

To the extent security tokens become tradeable on other national securities exchanges or other changes arise that may necessitate changes to proposed Rule 25110 to conform more closely with the clearly erroneous execution rules of other exchanges, the Exchange intends to implement changes as necessary through a proposed rule change filed with the Commission pursuant to Section 19 of the Exchange Act¹⁷⁰ at such future date.

13. Rule 25120 – Short Sales

Proposed Rule 25120 sets forth certain requirements with respect to short sale orders

¹⁶⁹ See BOX Rule 7170(n).

¹⁷⁰ 15 U.S.C. 78s.

submitted to the BSTX System that is virtually identical to similar rules on other exchanges.¹⁷¹ Specifically, proposed Rule 25120 requires BSTX Participants to appropriately mark orders as long, short, or short exempt and provides that the BSTX System will not execute or display a short sale order not marked short exempt with respect to a “covered security”¹⁷² at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security’s closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”). The proposed rule further specifies that the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.¹⁷³

The Exchange believes that proposed Rule 25120 is consistent with Section 6(b)(5) of the Exchange Act,¹⁷⁴ because it would promote just and equitable principles of trade and further the protection of investors and the public interest by enforcing rules consistent with Regulation SHO. Pursuant to Regulation SHO, broker-dealers are required to appropriately mark orders as long, short, or short exempt,¹⁷⁵ and trading centers are required to establish, maintain, and enforce written policies and procedures reasonably designed to, among other things, prevent the

¹⁷¹ See e.g., IEX Rule 11.290.

¹⁷² Proposed Rule 25120(b) provides that the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO. 17 CFR. 242.201(a).

¹⁷³ Proposed Rule 25120(d). The proposed rule further provides in paragraph (d)(1) that if a covered security did not trade on BSTX on the prior trading day, BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that security token on the most recent day on which the security token traded.

¹⁷⁴ 15 U.S.C. 78f(b)(5).

¹⁷⁵ 17 CFR 242.200(g).

execution or display of a short sale order of a covered security at a price that is less than or equal to the current national best bid if the price of that covered security decreases by 10% or more from its closing price on the primary listing market on the prior day.¹⁷⁶ Proposed Rule 25120 is designed to promote compliance with Regulation SHO, is nearly identical to similar rules of other exchanges, and would apply equally to all BSTX Participants.

J. Market Making on BSTX (Rule 25200 Series)

The BSTX Market Making Rules (Rules 25200 – 25240) provide for registration and describe the obligations of Market Makers on the Exchange. The Market Making Rules also provide for registration and obligations of Designated Market Makers (DMMs) in a given security token, allocation of a DMM to a particular security token, and parameters for business combinations of DMMs.

BSTX Participants are required to post two-sided quotes during the regular market session, with some exceptions, for each security token in which a Participant is registered as a Market Maker. Such quotes must be entered within a certain percentage, called the “Designated Percentage,” of the best bid and best offer price in such security token (or last sale price, as applicable) on the Exchange. In the event that the price movements cause a Market Maker’s quote to fall outside a given percentage of the best bid or best offer price, called the “Defined Limit,” in such security token (or last sale price, as applicable), the Market Maker must enter a new bid or offer at not more than the Designated Percentage away from the prevailing best bid and/or best offer price in such security token. The foregoing Market Maker obligations operate in a substantially similar manner to the Market Maker and DMM obligations provided in the NYSE Arca Rules, except as noted below.

¹⁷⁶ 17 CFR 242.201(b)(1).

A DMM must be a registered Market Maker and meet certain other criteria to be approved as the sole DMM for a given security token. For security tokens in which a Participant serves as a DMM, it must meet the same obligations as if it were a Market Maker and must also maintain a bid or offer inside the Exchange's best bid and offer at least 25% of the day measured across all security tokens in which such Participant serves as DMM. The foregoing DMM obligations operate in a substantially similar manner to the Market Maker and DMM obligations provided in the NYSE Arca Rules, except as noted below.

The Market Making Rules describe the process for allocating a security token to a DMM. An issuer may interview potential DMMs or allow the Exchange to select a DMM for a given security token. The allocation rules are substantially similar to NYSE Arca's Rule 7.25E, except for a small number of differences noted below. In addition, the Market Making Rules provide parameters for DMM combinations and are substantially similar to NYSE Arca's Rule 7.26E.

BSTX's Market Maker Rules are generally consistent in substance with already existing IEX and NYSE Arca Rules. Drafting rules in a manner consistent with other national securities exchanges can assist market participants and regulators, who may have experience with the already-existing rules of other exchanges, in interpreting and ensuring compliance with such rules, which fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁷⁷

The Exchange has included provisions in its rule that ensure that the Exchange and its Participants comply with net capital requirements in SEC Rule 15c3-1,¹⁷⁸ firm quote

¹⁷⁷ 15 U.S.C. 78f(b)(5).

¹⁷⁸ 17 CFR 240.15c3-1.

requirements in Regulation NMS Rule 602(b),¹⁷⁹ and rules against displaying locked and crossed quotes in Regulation NMS Rule 610(d).¹⁸⁰ Consistent with Section 6(b)(5) of the Exchange Act,¹⁸¹ the Exchange believes that ensuring compliance with SEC Rules promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and can result in the protection of investors and the public interest.

Clarifications in the Rules described above to conform the market making rules to other provisions of the BSTX Rules help market participants to properly interpret the rules of the Exchange. The Exchange believes that facilitating interpretation of its rules and allowing market participants to better understand its Rules removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸²

To the extent the Exchange has the ability to review and make a conclusion on a prospective Market Maker's application to become a Market Maker Participant, it will do so expeditiously. By decreasing administrative delays for Participants who want to act as Market Makers, the Exchange believes that it removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and

¹⁷⁹ 17 CFR 242.602(b).

¹⁸⁰ 17 CFR 242.610(d).

¹⁸¹ 15 U.S.C. 78f(b)(5)

¹⁸² 15 U.S.C. 78f(b)(5).

coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸³

While the source rules from NYSE Arca provided for multiple tiers and classes of stocks that were each associated with a different Designated Percentage and Defined Limit, the Exchange has collapsed all such classes in to one category and provided a single Designated Percentage and Defined Limit for all security token trading on BSTX. The Exchange believes that simplifying the Rules in this manner can reduce the potential for confusion and allows for easier compliance, serving to remove impediments to and perfecting the mechanism of a free and open market and a national market system; such simplification may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁴

K. BSTX Listing Rules (Rule 26000 Series)

The BSTX Listing Rules, which include the 26000 and 27000, and 28000 rule series, have been adapted from, and are substantially similar to, Parts 1 – 12 of the NYSE American LLC Company Guide and BSTX Rules 15.1 and 15.2. Except as described below, every single Rule in the BSTX 26000 and 27000 series is substantially identical to a Section of the NYSE American Original Listing Requirements, and the BSTX 28000 series is substantially identical to BZX Rules 15.1 and 15.2.¹⁸⁵ Below is further detail.

¹⁸³ 15 U.S.C. 78f(b)(5).

¹⁸⁴ 15 U.S.C. 78f(b)(5)

¹⁸⁵ The Exchange notes that while the numbering of BSTX's Listing Rules generally corresponds

- The BSTX Listing Rules (26100 series) are based on the NYSE American Original Listing Requirements (Sections 101-146).
- The BSTX Original Listing Procedures (26200 series) are based on the NYSE American Original Listing Procedures (Sections 201 – 222).
- The BSTX Additional Listings Rules (26300 series) are based on the NYSE American Additional Listings Sections (Sections 301-350).
- The BSTX Disclosure Policies (26400 series) are based on the NYSE American Disclosure Policies (Sections 401-404).
- The BSTX Dividends and Splits Rules (26500 series) are based on the NYSE American Dividends and Stock Splits Sections (Sections 501-522).
- The BSTX Accounting; Annual and Quarterly Reports Rules (26600 series) are based on the NYSE American Accounting; Annual and Quarterly Reports Sections (Sections 603-624).
- The BSTX Shareholders' Meetings, Approval and Voting of Proxies Rules (26700 series) are based on the NYSE American Shareholders' Meetings, Approval and Voting of Proxies Sections (Sections 701-726).
- The BSTX Corporate Governance Rules (26800 series) are based on the NYSE American Corporate Governance Sections (Sections 801-809).
- The BSTX Additional Matters Rules (26900 series) are based on the NYSE American Additional Matters Sections (Sections 920-994).

to a Section of the NYSE American LLC Company Guide, BSTX did not integrate certain Sections of the NYSE American Company Guide that the Exchange deemed inapplicable to its operations. Further, the Exchange formulated a small amount of new rules to reflect requirements of its blockchain platform, as more fully described herein.

- The BSTX Suspension and Delisting Rules (27000 series) are based on the NYSE American Suspension and Delisting Sections (Sections 1001-1011).
- The BSTX Guide to Filing Requirements (27100 series) are based on the NYSE American Guide to Filing Requirements (Section 1101).
- The BSTX Procedures for Review of Amex Listing Determinations (27200 series) are based on the NYSE American Procedures for Review of Amex Listing Determinations (Sections 1201-1211).
- The BSTX Dues, Fees, Assessments, and Other Charges Rules (28000 series) are based on the NYSE American BSTX Rules 15.1 and 15.2.

The definitions listed above are being added to allow the Exchange to clearly explain its Listing Rules to market participants. Increased clarity may serve to remove impediments to and perfect the mechanism of a free and open market and a national market system and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁶

The Exchange believes rules that provide an additional Initial Listing Requirement for preferred security tokens, reduce quantitative listing thresholds, and provide an additional option for listing subscription rights expand the possible set of companies that would be eligible to list on the Exchange; this constitutes a removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁷ Further, consistent with the public interest, rules that provide more opportunity

¹⁸⁶ 15 U.S.C. 78f(b)(5).

¹⁸⁷ 15 U.S.C. 78f(b)(5).

for listings may promote competition and capital formation. The Exchange notes that each of these Rules expands upon an existing standard in the NYSE American LLC Company Guide.

Regarding the Rule clarifications described above, the Exchange believes that additional clarity allows market participants to better understand and interpret the Exchange's Rules, which removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁸

The Exchange has enhanced the notice requirements for listed companies to communicate to BSTX related to record dates and defaults. The Exchange believes that these additional disclosure and communication obligations can help BSTX in monitoring for listed company compliance with applicable rules and regulations; such additional disclosure obligations are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁹ Further, the Exchange reserves the right to provide Participants with a list of approved rates of reimbursement of Participants for all out-of-pocket expenses related to proxy voting. This would provide for reasonable guidelines if/when a listed company were to allow reimbursement of expenses incurred in proxy voting,

¹⁸⁸ 15 U.S.C. 78f(b)(5).

¹⁸⁹ 15 U.S.C. 78f(b)(5).

including certain proxy solicitations. The Exchange believes such rule promotes just and equitable principles of trade, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁰

The Exchange's Rules provide additional flexibility for listed companies in choosing how liquidity will be provided in their listings by allowing listed companies to use two market makers in lieu of a DMM. The Exchange believes that such additional flexibility constitutes a removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.¹⁹¹

The Exchange believes that disallowing fractional shares reduces work and potential issues that listed companies and the Exchange would have to deal with if BSTX were to allow trading of fractional shares. By extension, the requirement to provide cash in lieu of fractional shares simplifies the process related to share transfer and tracking of share ownership; such simplification promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, removes impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁹²

The Exchange has added to the NYSE Arca standards an Aggregate Market Value criteria. While such a threshold does not guarantee the quality of a listing company, the Exchange believes such a standard may help ensure that companies that chose to list by meeting the first Initial Listing Standard would generally be of a higher quality than if this threshold was

¹⁹⁰ 15 U.S.C. 78f(b)(5).

¹⁹¹ 15 U.S.C. 78f(b)(5).

¹⁹² 15 U.S.C. 78f(b)(5).

not included. Listings of higher-quality companies would help to protect investors and to prevent fraudulent and manipulative acts and practices, consistent with Section 6(b)(5) of the Exchange Act.¹⁹³

BSTX Rule 26130 requires listing applicants to furnish a legal opinion that the applicant's security token is a security under applicable United States securities laws. Such a requirement provides assurance to the Exchange that security token trading relates to appropriate asset classes. The Exchange believes that this Rule promotes just and equitable principles of trade and, in general, protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁴

Rule 26230 provides that, prior to approving a security token for trading on BSTX, the Exchange will conduct an audit of the security token's architecture to ensure compliance with the BSTX Protocol. This Rule ensures that trading, clearing, and settling of security tokens can be done efficiently and effectively by the Exchange and relevant service providers. The Exchange believes that this Rule fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and that such Rule removes impediments to and perfects the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁵

L. Fees (Rule 24000 Series)

The Exchange proposes to set forth as its Rule 24000 Series (Fees) the Exchange's

¹⁹³ 15 U.S.C. 78f(b)(5).

¹⁹⁴ 15 U.S.C. 78f(b)(5).

¹⁹⁵ 15 U.S.C. 78f(b)(5).

authority prescribe reasonable dues, fees, assessments or other charges as it may deem appropriate. As provided in proposed Rule 28000 (Authority to Prescribe Dues, Fees, Assessments and Other Charges), these fees may include membership dues, transaction fees, communication and technology fees, regulatory fees, and other fees, which will be equitably allocated among BSTX Participants, issuers, and other persons using the Exchange's facilities.¹⁹⁶ Proposed Rule 28010 (Regulatory Revenues) generally provides that any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities).

The Exchange believes that the proposed Rule 28000 Series (Fees) is consistent with Sections 6(b)(5) of the Exchange Act because these proposed rules are designed to protect investors and the public interest by setting forth the Exchange's authority to assess fees on BSTX Participants, which will be used to operate the BSTX System and surveil BSTX for compliance with applicable laws and rules. The Exchange believes that the proposed Rule 28000 Series (Fees) is also consistent with Sections 6(b)(3) of the Exchange Act¹⁹⁷ because the proposed Rules specify that all fees assessed by the Exchange shall be equitably allocated among BSTX Participants, issuers and other persons using the Exchange's facilities. The Exchange intends to submit a proposed rule change to the Commission setting forth the proposed fees relating to trading on BSTX in advance of the launch of BSTX.

¹⁹⁶ Proposed Rule 28000 further provides authority for the Exchange to charge BSTX Participants a regulatory transaction fee pursuant to Section 31 of the Exchange Act (15 U.S.C. 78ee) and that the Exchange will set forth fees pursuant to publicly available schedule of fees.

¹⁹⁷ 15 U.S.C. 78f(b)(5).

V. *Minor Rule Violation Plan*

The Exchange's disciplinary rules, including Exchange Rules applicable to "minor rule violations," are set forth in the Rule 12000 Series of the Exchange's current Rules. Such disciplinary rules will apply to BSTX Participants and their associated persons pursuant to proposed Rule 24000. The Exchange's Minor Rule Violation Plan ("MRVP") specifies those uncontested minor rule violations with sanctions not exceeding \$2,500 that would not be subject to the provisions of Rule 19d-1(c)(1) under the Act¹⁹⁸ requiring that an SRO promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.¹⁹⁹ The Exchange's MRVP includes the policies and procedures set forth in Exchange Rule 12140 (Imposition of Fines for Minor Violations).

The Exchange proposes to amend its MRVP and Rule 12140 to include proposed Rule 24010 (Penalty for Minor Rule Violations). The Rules included in proposed Rule 24010 as appropriate for disposition under the Exchange's MRVP are: (a) Rule 20000 (Maintenance, Retention and Furnishing of Records); (b) Rule 25070 (Audit Trail); (c) Rule 25210(a)(1) (Two-Sided Quotation Obligations of BSTX Market Makers); and Rule 25120 (Short Sales). The rules included in proposed Rule 12140 are the same as the rules included in the MRVPs of other

¹⁹⁸ 17 CFR 240.19d-1(c)(1).

¹⁹⁹ The Commission adopted amendments to paragraph (c) of Rule 19d-1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission will not be considered "final" for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

exchanges.²⁰⁰ Upon implementation of this proposal, the Exchange will include the enumerated trading rule violations in the Exchange's standard quarterly report of actions taken on minor rule violations under the MRVP. The quarterly report includes: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation has occurred, and the date of disposition. The Exchange's MRVP, as proposed to be amended, is consistent with Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Act,²⁰¹ which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange. In addition, because amended Rule 12140 will offer procedural rights to a person sanctioned for a violation listed in proposed Rule 24010, the Exchange will provide a fair procedure for the disciplining of members and associated persons, consistent with Section 6(b)(7) of the Act.²⁰²

This proposal to include the rules listed in Rule 24010 in the Exchange's MRVP is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act, as required by Rule 19d-1(c)(2) under the Act,²⁰³ because it should strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as an SRO in cases where full disciplinary proceedings are unsuitable in view of the minor nature of the particular violation. In requesting the proposed change to the MRVP, the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to

²⁰⁰ See e.g., IEX Rule 9.218 and Cboe BZX Rule 8.15.01.

²⁰¹ 15 U.S.C. 78f(b)(1), 78f(b)(5) and 78f(b)(6).

²⁰² 15 U.S.C. 78f(b)(7).

²⁰³ 17 CFR 240.19d-1(c)(2).

the imposition of fines under the MRVP. However, the MRVP provides a reasonable means of addressing rule violations that do not rise to the level of requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

VI. *Amendments to Existing BOX Rules*

Due to the new BSTX trading facility and the introduction of trading in security tokens, a type of equity security, on the Exchange, the Exchange proposes to amend those Exchange Rules that would apply to BSTX Participants, but that currently only contemplate trading in options. Therefore, the Exchange is seeking to amend the following Exchange Rules, each of which is set forth in Exhibit 5A:

- Rule 100(a) (Definitions) “Approved Clearance and Settlement Provider”: The Exchange proposes to add a new definition for “Approved Clearance and Settlement Provider” that would be defined as follows: “The term “Approved Clearance and Settlement Provider” means: (i) a registered clearing agency or clearing agency exempt from registration pursuant to Section 17A of the Exchange Act; (ii) a registered transfer agent registered pursuant to Section 17A of the Exchange Act; (iii) a bank, as defined in Section 3(a)(6) of the Exchange Act; (iv) or other entity, in the Exchange’s discretion, approved by the SEC as a satisfactory control location for purposes of Rule 15c3-3 of the Exchange Act.
- Rule 100(a) (Definitions) “Options Participant” or “Participant”: The Exchange

proposes to change the definition of “Options Participant or Participant” to “Participant” to reflect Options Participants and BSTX Participants and to amend the definition as follows: “The term ‘Participant’ means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an ‘Options Participant’ and ‘BSTX Participant.’”

- Rule 100(a) (Definitions) “Options Participant”: The Exchange proposes to add a definition of “Options Participant” that would be defined as follows: “The term ‘Options Participant’ is a Participant registered with the Exchange for purposes of participating in options trading on the Exchange.”²⁰⁴
- Rule 2020(g)(2) (Participant Eligibility and Registration): The Exchange proposes to delete subsection (g)(2) and replace it with the following: “(2) persons associated with a Participant whose functions are related solely and exclusively to transactions in municipal securities; (3) persons associated with a Participant whose functions are related solely and exclusively to transactions in commodities; (4) persons associated with a Participant whose functions are related solely and exclusively to transactions in securities futures, provided that any such person is appropriately registered with a registered futures association; and (5) persons associated with a Participant who are restricted from accessing the Exchange and that do not engage in the securities business of the Participant relating to activity that occurs on the Exchange.”²⁰⁵

²⁰⁴ In addition, as a result of these new defined terms, the Exchange proposes to renumber definitions set forth in Rule 100(a) to keep the definitions in alphabetically order.

²⁰⁵ In addition to revising Rule 2020(g)(2) to broaden it to include securities activities beyond

- Rule 2040(e)(4) (Restrictions): The Exchange proposes to amend subsection (e)(4) of Rule 2040 in subsection as follows: “does not clear or settle transactions executed on BOX through an Approved Clearance and Settlement Provider.”
- Rule 2060 (Revocation of Participant Status or Association with a Participant): The Exchange proposes to amend Rule 2060 to refer to “securities transactions” rather than “options securities transactions.”
- Rule 3180(a) (Mandatory Systems Testing): The Exchange proposes to amend subsection (a)(1) of Rule 3180 to also include BSTX Participants, in addition to the categories of Market Makers and OFPs.
- Rule 7130(a)(2)(v) Execution and Price/Time Priority: The Exchange proposes to update the cross reference to Rule 100(a)(58) to refer to Rule 100(a)(60), which defines the term “Request for Quote” or “RFQ.”
- Rule 7150(a)(2) (Price Improvement Period): The Exchange proposes to amend
- Rule 7230 (Limitation of Liability): The Exchange proposes to amend the references in Rule 7230 to “Options Participants” to simply “Participants.”
- Rule 7245(a)(4) (Complex Order Price Improve Period): The Exchange proposes to update the cross reference to Rule 100(a)(51) to refer to Rule 100(a)(53), which defines the term “Professional.”
- IM-8050-3: The Exchange proposes to update the cross reference to Rule 100(a)(55)

just options trading, the Exchange proposes to add greater specificity to define persons that are exempt from registration, consistent with the approach adopted by other exchanges. See e.g., IEX Rule 2.160(m).

- to refer to Rule 100(a)(58), which defines the term “quote” or “quotation.”²⁰⁶
- Rule 11010(a) “Investigation Following Suspension”: The Exchange proposes to amend subsection (a) of Rule 11010 to remove the reference to “in BOX options contracts” and to modify the word “position” with the word “security” as follows: “. . . the amount owing to each and a complete list of each open long and short security position maintained by the Participant and each of his or its Customers.”
 - Rule 11030 (Failure to Obtain Reinstatement): The Exchange proposes to amend Rule 11030 to replace the reference to “Options Participant” to simply “Participant.”
 - Rule 12030(a)(1) (Letters of Consent): The Exchange proposes to amend subsection (a)(1) of Rule 12030 to replace the reference to “Options Participant” to simply “Participant.”
 - Rule 12140 (Imposition of Fines for Minor Rule Violations): The Exchange proposes to amend Rule 12140 to replace references to “Options Participant” to simply “Participant.” In addition, the Exchange proposes to add paragraph (f) to Rule 12140, to incorporate the aforementioned modifications to the Exchange’s MRVP. New paragraph (f) of Rule 12140 would provide: “(f) Transactions on BSTX. Rules and penalties relating to trading on BSTX that are set forth in Rule 24010 (Penalty for Minor Rule Violations).”

The Exchange believes that the proposed amendments to the definitions set forth in Rule

²⁰⁶ Current Exchange Rule 100(a)(55) defines the term “Quarterly Options Series,” but the intended reference in IM-8050-3 was the definition of “quote” or “quotation.” The term “quote” or “quotation” is currently defined in Rule 100(a)(56), but is proposed to be renumbered as Rule 100(a)(58).

100 are consistent with Section 6(b)(5) of the Exchange Act²⁰⁷ because they protect investors and the public interest by setting forth clear definitions that help BOX and BSTX Participants understand and apply Exchange Rules. Without defining terms used in the Exchange Rules clearly, market participants could be confused as to the application of certain rules, which could cause harm to investors.

The Exchange believes that the proposed amendments to the other Exchange Rules detailed above are consistent with Section 6(b)(5) of the Exchange Act²⁰⁸ because the proposed rule change is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that market participants can easily navigate, understand and comply with the Exchange's rulebook. The Exchange believes that the proposed rule change enables the Exchange to continue to enforce the Exchange's rules. The Exchange notes that none of the proposed changes to the current Exchange rulebook would materially alter the application of any of those Rules, other than by extending them to apply to BSTX Participants and trading on the BSTX System. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national exchange system. Further, the Exchange believes that, by ensuring the rulebook accurately reflects the intention of the

²⁰⁷ 15 U.S.C. 78f(b)(5).

²⁰⁸ Id.

Exchange's rules, the proposed rule change reduces potential investor or market participant confusion.

VII. *Forms to Be Used in Connection with BSTX*

In connection with the operation of BSTX, the Exchange proposes to use a series of new forms to facilitate becoming a BSTX Participant and for issuers to list their security tokens. These forms have been attached hereto as Exhibits 3A – 3M. Each are described below.

A. BSTX Participant Application

Pursuant to proposed Rule 18000(b), in order to become a BSTX Participant, an applicant must complete a BSTX Participant Application, which is attached as Exhibit 3A. The proposed BSTX Participant Application requires the applicant to provide certain basic information such as identifying the applicant's name and contact information, Designated Examining Authority, organizational structure, and Central Registration Depository ("CRD") number. The BSTX Participant Application also requires applicants to provide additional information including certain beneficial ownership information, the applicant's current Form BD, an organization chart, a description of how the applicant receives orders from customers, how it will send orders to BSTX, and a copy of written supervisory procedures and information barrier procedures.

In addition, the BSTX Participant Application allows applicants to indicate whether they are applying to be a BSTX Market Maker or a Designated Market Maker. Applicants wishing to become a BSTX Market Maker or Designated Market Maker must provide certain additional information including a list of each of the applicant's trading representatives (including a copy of each representative's Form U4), a copy of the applicant's written supervisory procedures relating to market making, a description of the source and amount of the applicant's capital, and information regarding the applicant's other business activities and information barrier

procedures.

B. BSTX Participant Agreement

Pursuant to Exchange Rule 18000(b), to transact business on BSTX, prospective BSTX Participants must complete a BSTX Participant Agreement. The BSTX Participant Agreement is attached as Exhibit 3B. The BSTX Participant Agreement provides that a BSTX Participant must agree with the Exchange as follows:

1. Participant agrees to abide by the Rules of the Exchange and applicable bylaws, as amended from time to time, and all circulars, notices, interpretations, directives and/or decisions adopted by the Exchange.
2. Participant acknowledges that BSTX Participant and its associated persons are subject to the oversight and jurisdiction of the Exchange.
3. Participant authorizes the Exchange to make available to any governmental agency or SRO any information it may have concerning the BSTX Participant or its associated persons, and releases the Exchange from any and all liability in furnishing such information.
4. Participant acknowledges its obligation to update any and all information contained in any part of the BSTX Participant's application, including termination of membership with another SRO.

These provisions of the BSTX Participant Agreement and others therein are generally designed to reflect the Exchange's SRO obligations to regulate BSTX Participants. Accordingly, these provisions contractually bind a BSTX Participant to comply with Exchange rules, acknowledge the Exchange's oversight and jurisdiction, authorize the Exchange to disclose information regarding the Participant to any governmental agency or SRO and acknowledge the

obligation to update any and all Application contained in the Participant's application.

C. BSTX User Agreement

In order to become a BSTX Participant, prospective participants must also execute a BSTX User Agreement pursuant to proposed Rule 18000(b). The BSTX User Agreement, attached as Exhibit 3C, includes provisions related to the term of the agreement, compliance with exchange rules, right and obligations under the agreement, changes to BSTX, proprietary rights under the agreement, use of information received under the relationship, disclaimer of warranty, limitation of liability, indemnification, termination and assignment. The information is necessary to outline the rights and obligations of the prospective Participant and the Exchange under the terms of the agreement. Both the BSTX Participant Agreement and BSTX User Agreement will be available on the Exchange's website (boxoptions.com).

D. BSTX Security Token Market Designated Market Maker Selection Form

In accordance with proposed Rule 2523(b)(1), BSTX will maintain the BSTX Security Token Designated Market Maker Selection Form, which is attached as Exhibit 3D. The issuer may select its DMM from among a pool of DMMs eligible to participate in the process. Within two business days of the issuer selecting its DMM, it will use the BSTX Security Token Market Designated Market Maker Selection form to notify BSTX of the selection. The form must be signed by a duly authorized officer as specified in proposed Rule 2523(b)(1).

E. Clearing Authorization Forms

In accordance with proposed Rule 18010, BSTX Participants that do not directly enter a written agreement with an Approved Settlement Provider for the settlement of security token transactions must enter a written agreement with a Carrying BSTX Participant that has such an arrangement with an Approved Settlement Provider. A BSTX Participant that enters a written

agreement with a Carrying BSTX Participant would do so using, as applicable, either the BSTX Clearing Authorization (non-Market Maker) form (attached as Exhibit 3E) or the BSTX Participant Clearing Authorization (Market Maker) form (attached as Exhibit 3F). Each form will be maintained by BSTX and each form specifies that the Carrying BSTX Participant accepts financial responsibility for all transactions on BSTX that are made by the BSTX Participant designated on the form.

F. BSTX Listing Applications

The Exchange proposes to specify the required forms of listing application, listing agreement and other documentation that listing applicants and listed companies must execute or complete (as applicable) as a prerequisite for initial and ongoing listing on the Exchange, as applicable (collectively, “listing documentation”). As proposed, the listing forms are substantially similar to those currently in use by NYSE American LLC, with certain differences to account for the trading of security tokens. All listing documentation will be available on the Exchange’s website (boxoptions.com). Each of the listing documents form a duly authorized representative of the company must sign an affirmation that the information provided is true and correct as of the date the form was signed. In the event that in the future the Exchange makes any substantive changes (including changes to the rights, duties, or obligations of a listed company or listing applicant or the Exchange, or that would otherwise require a rule filing) to such documents, it will submit a rule filing in accordance with Rule 19b-4.²⁰⁹

Pursuant to Rule 26130 and 26300 of the Exchange Rules, a company must file and execute the BSTX Original Listing Application (attached as Exhibit 3G) or the BSTX Additional

²⁰⁹ The Exchange will not submit a rule filing if the changes made to a document are solely typographical or stylistic in nature.

Listing Application (attached as Exhibit 3H) to apply for the listing of security tokens on BSTX.²¹⁰ The BSTX Original Listing Application provides information necessary, and in accordance with Section 12(b) of the Exchange Act,²¹¹ for Exchange regulatory staff to conduct a due diligence review of a company to determine if it qualifies for listing on the Exchange. The BSTX Additional Listing Application requires certain further information for an additional listing of security tokens. Relevant factors regarding the company and securities to be listed will determine the type of information required. The following describes each category and use of application information:

1. Corporate information regarding the issuer of the security to be listed, including company name, address, contact information, Central Index Key Code (CIK), SEC File Number, state and country of incorporation, date of incorporation, whether the company is a foreign private issuer, website address, SIC Code, CUSIP number of the security being listed and the date of fiscal year end. This information is required of all applicants and is necessary in order for the Exchange's regulatory staff to collect basic company information for recordkeeping and due diligence purposes, including review of information contained in the company's SEC filings.
2. For original listing applications only, corporate contact information including the company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary, General Counsel and Investor Relations Officer. This information is required of all initial applicants and is necessary in order for the Exchange's regulatory staff to collect current

²¹⁰ Pursuant to proposed Exchange Rule 26130, an applicant seeking the initial listing of its security token must also provide a legal opinion that the applicant's security token is a security under applicable United States securities laws.

²¹¹ 15 U.S.C. 78l(b).

company contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.

3. For original listing applications only, offering and security information regarding an offering, including the type of offering, a description of the issue, par value, number of security tokens outstanding or offered, total security tokens unissued, but reserved for issuance, date authorized, purpose of security tokens to be issued, number of security tokens authorized, and information relating to payment of dividends. This information is required of all applicants listing security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
4. For original listing applications only, information regarding the company's transfer agent. Transfer agent information is required for all applicants. This information is necessary in order for the Exchange's regulatory staff to collect current contact information for such company transfer agent for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
5. For original listing applications only, contact information for the outside counsel with respect to the listing application, if any. This information is necessary in order for the Exchange's regulatory staff to collect applicable contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant and assess compliance with Exchange Rule 26130.
6. For original listing applications only, a description of any security preferences. This information is necessary to determine whether the Applicant issuer has any existing class of common stock or equity securities entitling the holders to differential voting rights, dividend payments, or other preferences.

7. For original listing applications only, type of security token listing, including the type of transaction (initial security token offering, merger, spin-off, follow on offering, reorganization, exchange offer or conversion) and other details related to the transaction, including the name and contact information for the investment banker/financial advisor contacts. This information is necessary in order for the Exchange's regulatory staff to collect information for such company for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
8. For original listing applications only, exchange requirements for listing consideration. This section notes that to be considered for listing, the Applicant Issuer must meet the Exchange's minimum listing requirements, that the Exchange has broad discretion regarding the listing of any security token and may deny listing or apply additional or more stringent criteria based on any event, condition or circumstance that makes the listing of an Applicant Issuer's security token inadvisable or unwarranted in the opinion of the Exchange. The section also notes that even if an Applicant Issuer meets the Exchange's listing standards for listing on the BSTX Security Token Market, it does not necessarily mean that its application will be approved. This information is necessary in order for the Exchange's regulatory staff to assess whether an Applicant Issuer is qualified for listing.
9. For original listing applications only, regulatory review information, including a certification that no officer, board member or non-institutional shareholder with greater than 10% ownership of the company has been convicted of a felony or misdemeanor relating to financial issues during the past ten years or a detailed description of any such matters. This section also notes that the Exchange will review background materials

available to it regarding the aforementioned individuals as part of the eligibility review process. This regulatory review information is necessary in order for the Exchange's regulatory staff to assess whether there are regulatory matters related to the company that render it unqualified for listing.

10. For original listing applications only, supporting documentation required prior to listing approval includes a listing agreement, corporate governance affirmation, security token design affirmation, listing application checklist and underwriter's letter. This documentation is necessary in order to support the Exchange's regulatory staff listing qualification review (corporate governance affirmation, listing application checklist and underwriter's letter) and to effectuate the listed company's agreement to the terms of listing (listing agreement).
11. For additional listing applications only, transaction details, including the purpose of the issuance, total security tokens, date of board authorization, date of shareholder authorization and anticipated date of issuance. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
12. For additional listing applications only, insider participation and future potential issuances, including whether any director, officer or principal shareholder of the company has a direct or indirect interest in the transaction, and if the transaction potentially requires the company to issue any security tokens in the future above the amount they are currently applying for. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.

13. For additional listing applications only, information for a technical original listing, including reverse security token splits and changes in states of incorporation. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
14. For additional listing applications only, information for a forward security token split or security token dividend, including forward security token split ratios and information related to security token dividends. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order to determine the rights associated with the security tokens.
15. For additional listing applications only, relevant company documents. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review.
16. For additional listing applications only, reconciliation for technical original listing, including security tokens issued and outstanding after the technical original event, listed reserves previously approved for listing, and unlisted reserves not yet approved by the Exchange. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review and to obtain all of the information relevant to the offering.

G. Checklist for Original Listing Application

In order to assist issuers seeking to list its security tokens on BSTX, the Exchange has provided a checklist for issuers to seeking to file an original listing application with BSTX. The BSTX Listing Application Checklist, attached as Exhibit 3I, provides that issuers must provide

BSTX with a listing application, listing agreement, corporate governance affirmation, BSTX security token design affirmation, underwriter's letter (for initial security token offerings only) and relevant SEC filings (e.g., 8-A, 10, 40-F, 20-F). Each of the above referenced forms are fully described herein. The checklist is necessary to assist issuers and the Exchange regulatory staff in assessing the completion of the relevant documents.

H. BSTX Security Token Market Listing Agreement

Pursuant to proposed Exchange Rule 26132, to apply for listing on the Exchange, a company must execute the BSTX Security Token Market Listing Agreement (the "Listing Agreement"), which is attached as Exhibit 3J. Pursuant to the proposed Listing Agreement, a company agrees with the Exchange as follows:

1. Company certifies that it will comply with all Exchange rules, policies, and procedures that apply to listed companies as they are now in effect and as they may be amended from time to time, regardless of whether the Company's organization documents would allow for a different result.
2. Company shall notify the Exchange at least 20 days in advance of any change in the form or nature of any listed security tokens or in the rights, benefits, and privileges of the holders of such security tokens.
3. Company understands that the Exchange may remove its security tokens from listing on the BSTX Security Token Market, pursuant to applicable procedures, if it fails to meet one or more requirements of Paragraphs 1 and 2 of this agreement.
4. In order to publicize the Company's listing on the BSTX Security Token Market, the Company authorizes the Exchange to use the Company's corporate logos, website address, trade names, and trade/service marks in order to convey quotation information,

transactional reporting information, and other information regarding the Company in connection with the Exchange. In order to ensure the accuracy of the information, the Company agrees to provide the Exchange with the Company's current corporate logos, website address, trade names, and trade/service marks and with any subsequent changes to those logos, trade names and marks. The Listing Agreement further requires that the Company specify a telephone number to which questions regarding logo usage should be directed.

5. Company indemnifies the Exchange and holds it harmless from any third-party rights and/or claims arising out of use by the Exchange or, any affiliate or facility of the Exchange ("Corporations") of the Company's corporate logos, website address, trade names, trade/service marks, and/or the trading symbol used by the Company.
6. Company warrants and represents that the trading symbol to be used by the Company does not violate any trade/service mark, trade name, or other intellectual property right of any third party. The Company's trading symbol is provided to the Company for the limited purpose of identifying the Company's security in authorized quotation and trading systems. The Exchange reserves the right to change the Company's trading symbol at the Exchange's discretion at any time.
7. Company agrees to furnish to the Exchange on demand such information concerning the Company as the Exchange may reasonably request.
8. Company agrees to pay when due all fees associated with its listing of security tokens on the BSTX Security Token Market, in accordance with the Exchange's rules.

9. Company agrees to file all required periodic financial reports with the SEC, including annual reports and, where applicable, quarterly or semi-annual reports, by the due dates established by the SEC.

The various provisions of the Listing Agreement are designed to accomplish several objectives. First, clauses 1-3 and 6-8 reflect the Exchange's SRO obligations to assure that only listed companies that are compliant with applicable Exchange rules may remain listed. Thus, these provisions contractually bind a listed company to comply with Exchange rules, provide notification of any corporate action or other event that will cause the company to cease to be in compliance with Exchange listing requirements, evidence the company's understanding that it may be removed from listing (subject to applicable procedures) if it fails to be in compliance or notify the Exchange of any event of noncompliance, furnish the Exchange with requested information on demand, pay all fees due and file all required periodic reports with the SEC. Clauses four and five contain standard legal representations and agreements from the listed company to the Exchange regarding use of its logo, trade names, trade/service markets, and trading symbols as well as potential legal claims against the Exchange in connection thereto.

I. BSTX Security Token Market Company Corporate Governance

Affirmation

In accordance with the Rule 26800 Series, companies listed on BSTX are required to comply with certain corporate governance standards, relating to, for example, audit committees, director nominations, executive compensation, board composition, and executive sessions. In certain circumstances the corporate governance standards that apply vary depending on the nature of the company. In addition, there are phase-in periods and exemptions available to certain types of companies. The proposed BSTX Security Token Market Corporate Governance

Affirmation, attached as Exhibit 3K, enables a company to confirm to the Exchange that it is in compliance with the applicable standards, and specify any applicable phase-ins or exemptions. Companies are required to submit a BSTX Security Token Market Corporate Governance Affirmation upon initial listing on the Exchange and thereafter when an event occurs that makes an existing form inaccurate. This BSTX Security Token Market Corporate Governance Affirmation assists the Exchange regulatory staff in monitoring listed company compliance with the corporate governance requirements.

J. Security Token Design Affirmation for the BSTX Security Token Market

In accordance with proposed Rule 26138, in order for a security token to be admitted to dealings on BSTX, such security token must follow the BSTX Security Token Protocol. The BSTX Security Token Protocol will be provided via Regulatory Circular. The Security Token Design Affirmation, attached as Exhibit 3L, enables a company to affirm to the Exchange that it is in compliance with the applicable standards. Companies are required to submit a Security Token Design Affirmation upon initial listing on the Exchange. This Security Token Design Affirmation assists the Exchange's staff in verifying that an issuer's security tokens meet the requirements of the BXTS security token protocol.

K. Sample Underwriter's Letter

In accordance with proposed Rule 26101, an initial security token offering must meet certain listing requirements. The Exchange seeks to require the issuer's underwriter to execute a letter setting forth the details of the offering, including the name of the offering and why the offering meets the criteria of the BSTX rules. This information, set forth in the proposed Sample Underwriter's Letter and attached as Exhibit 3M, is necessary to assist the Exchange's regulatory staff in assessing the offering's compliance with BSTX listing standards for initial security token

offerings.

VIII. Regulation

In connection with the operation of BSTX, the Exchange will leverage many of the structures it established to operate a national securities exchange in compliance with Section 6 of the Exchange Act.²¹² Specifically, the Exchange will extend its Regulatory Services Agreement with FINRA to cover BSTX Participants and trading on the BSTX System. This Regulatory Services Agreement will govern many aspects of the regulation and discipline of BSTX Participants, just as it does for options regulation. The Exchange will perform security token listing regulation, authorize BSTX Participants to trade on the BSTX System, and conduct surveillance of security token trading on the BSTX System.

Section 17(d) of the Exchange Act²¹³ and the related Exchange Act rules permit SROs to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d-1,²¹⁴ the SEC designates one SRO to be the Designated Examining Authority, or DEA, for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the financial aspects of that broker-dealer's regulatory oversight. Because Exchange Participants, including BSTX Participants, also must be members of at least one other SRO, the Exchange would generally not be designated as the DEA for any of its members.²¹⁵

Rule 17d-2 under the Exchange Act²¹⁶ permits SROs to file with the Commission plans

²¹² 15 U.S.C. 78f.

²¹³ 15 U.S.C. 78q(d).

²¹⁴ 17 CFR 240.17d-1.

²¹⁵ See Exchange Rule 2020(a) (requiring that a Participant be a member of another registered national securities exchange or association).

²¹⁶ 17 CFR 240.17d-2.

under which the SROs allocate among each other the responsibility to receive regulatory reports from, and examine and enforce compliance with specified provisions of the Act and rules thereunder and SRO rules by, firms that are members of more than one SRO (“common members”). If such a plan is declared effective by the Commission, an SRO that is a party to the plan is relieved of regulatory responsibility as to any common member for whom responsibility is allocated under the plan to another SRO. Given that security tokens will only trade on BSTX, the Exchange does not believe that it is necessary to join certain of the multilateral Rule 17d-2 agreements such as the Plan for the Allocation of Regulatory Responsibilities Regarding Regulation NMS.²¹⁷ The Exchange may choose to join certain Rule 17d-2 agreements such as the agreement allocating responsibility for insider trading rules.²¹⁸

For those regulatory responsibilities that fall outside the scope of any Rule 17d-2 agreements that the Exchange may join, subject to Commission approval, the Exchange will retain full regulatory responsibility under the Exchange Act. However, as noted, the Exchange will extend its existing Regulatory Services Agreement with FINRA to provide that FINRA personnel will operate as agents for the Exchange in performing certain regulatory functions with respect to BSTX. As is the case with the Exchange’s options trading platform, the Exchange will supervise FINRA and continue to bear ultimate regulatory responsibility for BSTX. Consistent with the Exchange’s existing regulatory structure, the Exchange’s Chief Regulatory Officer shall have general supervision of the regulatory operations of BSTX, including responsibility for overseeing the surveillance, examination, and enforcement functions and for administering all regulatory services agreements applicable to BSTX. Similarly, the Exchange’s existing

²¹⁷ Exchange Act Release No. 85046 (February 4, 2019), 84 FR 2643 (February 7, 2019).

²¹⁸ Exchange Act Release No. 84392 (October 16, 2018), 83 FR 52243 (October 16, 2018).

Regulatory Oversight Committee will be responsible for overseeing the adequacy and effectiveness of Exchange’s regulatory and self-regulatory organization responsibilities, including those applicable to BSTX. Finally, as it does with options, the Exchange will perform automated surveillance of trading on BSTX for the purpose of maintaining a fair and orderly market at all times and monitor BSTX to identify unusual trading patterns and determine whether particular trading activity requires further regulatory investigation by FINRA.

In addition, the Exchange will oversee the process for determining and implementing trade halts, identifying and responding to unusual market conditions, and administering the Exchange’s process for identifying and remediating “clearly erroneous trades” pursuant to proposed Rule 25110. The Exchange shall also oversee the onboarding and application process for BSTX Participants as well as compliance by issuers of security tokens with the applicable initial and continuing listing requirements, including compliance with the BSTX Protocol.²¹⁹

IX. *Transaction Reporting Plan*

Pursuant to Rule 601(a) under the Exchange Act,²²⁰ the Exchange will file a transaction reporting plan regarding transactions in listed security tokens executed through BSTX (the “Transaction Reporting Plan”). The Transaction Reporting Plan specifies how the Exchange will collect, process, and disseminate trade report and quotation data related to BSTX-listed security tokens that trade on the Exchange in a manner consistent with Regulation NMS Rule 601(a)(2).²²¹ The Exchange recognizes that since transaction reports will be collected for BSTX-

²¹⁹ See proposed Exchange Rules 26230 (Security Token Architecture Audit) and 26138 (BSTX Security Token Protocol).

²²⁰ 17 CFR 242.601(a).

²²¹ Id.

listed security tokens pursuant to a transaction reporting plan, BSTX-listed security tokens will be, by definition, “NMS securities” and also “NMS stock.”²²² However, given that there is no other national securities exchange or other venue that has established procedures contemplating trading of BSTX-listed security tokens, the Exchange plans to request an exemption from the requirements of Regulation NMS Rule 603(b),²²³ which requires the Exchange to act jointly pursuant to a national market system plan to disseminate consolidated information, including a national best bid and national best offer, on quotations for and transactions in NMS stocks. The Exchange will amend its transaction reporting plan as necessary, or enter into a national market system plan based on its transaction reporting plan, in the future to account for BSTX-listed security token trading on other national securities exchanges or venues that require consolidation through the facilities of a national securities association.

X. *NMS Plans*

As previously noted, the Exchange proposes that security tokens will only be available for trading on BSTX subject to Commission approval and granting of necessary exemptive relief. Accordingly, there is no need for intermarket coordination plans relating to the trading of security tokens pursuant to Rule 608 of the Exchange Act²²⁴ under the proposed design of BSTX.

²²⁵

²²² 17 CFR 242.600(b)(47) and (48) (defining NMS security and NMS stock).

²²³ 17 CFR 242.603(b).

²²⁴ 17 CFR 242.608.

²²⁵ The Exchange notes that, with respect to the NMS Plan to Address Extraordinary Market Volatility, the Exchange as proposed to adopt a similar framework in proposed Rule 25110 (Clearly Erroneous Executions) as provided in that NMS plan. Accordingly, the Exchange believes that the same protections afforded by that NMS Plan will be preserved in the operation of BSTX despite the Exchange not joining the NMS Plan.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of the Exchange Act,²²⁶ in general and with Section 6(b)(5) of the Exchange Act,²²⁷ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this title matters not related to the purposes of this title or the administration of the Exchange.

BSTX will benefit individual investors, other market participants, and the equities market generally. The entry of an innovative competitor such as BSTX that seeks to leverage blockchain technology in connection with the trading of equity securities will promote competition by introducing a new type of listed equity security—security tokens—into the marketplace. Notwithstanding these innovations, the proposed regulation of BSTX and BSTX Participants, as well as the execution of security tokens using a price-time priority model is substantially similar to existing equities exchanges. In this way, the Exchange believes that BSTX provides a robust regulatory structure that protects investors and the public interest while introducing blockchain technology in connection with listed equity securities.

As discussed in Section III, the Exchange proposes that security tokens will only be available for trading on BSTX, subject to appropriate relief from the Commission. As a result of

²²⁶ 15 U.S.C. 78a et seq.

²²⁷ 15 U.S.C. 78f(b)(5).

security tokens only trading on BSTX, the Exchange has not adopted rules relating to intermarket coordination, such as those relating to the use of intermarket sweep orders or crossing/locking the quotation of another market. The Exchange believes that it is consistent with Section 6 of the Exchange Act²²⁸ and the protection of investors and the public interest to omit these rules at this time because they would not apply given that BSTX will be the only market for security tokens. Including such rules and functionality in the Exchange Rules could therefore lead to confusion among market participants, and the Exchange's Rules would not accurately reflect the manner in which the Exchange operates upon its initial launch.

The Exchange believes that the proposed limitation on trading security tokens only on BSTX is consistent with Section 6 of the Exchange Act²²⁹ and the protection of investors and the public interest because it will help facilitate an orderly introduction to the market of security tokens that are able to use the functionality of blockchain technology to maintain ownership records. The Exchange believes that this trading limitation would promote efficiency, competition, and capital formation, consistent with Section 3(f) of the Exchange Act,²³⁰ by facilitating the trading of security tokens in a manner that addresses structural problems in the market for small market capitalization securities such as market fragmentation. As previously noted, the Exchange is also seeking exemptive relief from the Commission, pursuant to its authority under Sections 11A(c)(3)²³¹ and Section 36(a) of the Exchange Act, with respect to

²²⁸ 15 U.S.C. 78f.

²²⁹ 15 U.S.C. 78f.

²³⁰ 15 U.S.C. 78c(f).

²³¹ 15 U.S.C. 78k-1(c)(3)

Section 12(f) of the Exchange Act²³² which generally allows exchanges to extend unlisted trading privileges to any exchange listed security, and Rules 19c-1²³³ and 19c-3²³⁴ under the Exchange Act, which generally prohibit the rules of a national securities exchange from limiting the ability of its members from trading securities otherwise than on an exchange. .

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange operates in an intensely competitive global marketplace for transaction services. Relying on its array of services and benefits, the Exchange competes for the privilege of providing market services to broker-dealers. The Exchange's ability to compete in this environment is based in large part on the quality of its trading systems, the overall quality of its market and its attractiveness to the largest number of investors, as measure by speed, likelihood and costs of executions, as well as spreads, fairness, and transparency.

The Exchange believes that the primary areas where the proposed rule change has the potential to result in a burden on competition are with regard to the terms on which: (1) issuers may list their securities for trading, (2) members may access the Exchange and use its facilities, (3) security token transactions may be cleared and settled.

Regarding considerations (1) and (2), and as described in detail in Item 3 above, the BSTX Rules are drawn substantially from the existing rules of other exchanges that the Commission has already found to be consistent with the Exchange Act, including regarding

²³² 15 U.S.C. 78l(f).

²³³ 17 CFR 240.19c-1.

²³⁴ 17 CFR 240.19c-3.

whether they impose any burden on competition that is not necessary or appropriate in furtherance of its purposes. For example, the BSTX listing rules in Sections 26000 and 27000 that affect issuers and their ability to list security tokens for trading are based substantially on the current rules of NYSE American. Additionally, the BSTX Rules regarding membership and access to and use of the facilities of BSTX are also substantially based on existing exchange rules. Specifically, the relevant BSTX Rules are as follows: participation on BSTX (Section 18000); business conduct for BSTX participants (Section 19000); financial and operational rules for BSTX participants (Section 20000); supervision (Section 21000); miscellaneous provisions (Section 22000); trading practices (Section 23000); discipline and summary suspension (Section 24000); trading (Section 25000); market making (Section 25200); and dues, fees, assessments, and other charges (Section 28000). As described in detail in Item 3, these rules are substantially based on analogous rules of the following exchanges, as applicable: BOX; Investors Exchange LLC; Cboe BZX Exchange, Inc.; The Nasdaq Stock Market LLC; and NYSE American LLC.

Regarding consideration (3) above and the manner in which security token transactions may be cleared and settled, the Exchange's proposed definition of "Approved Settlement Provider" in Rule 17000(a)(4) is broad. Specifically, it permits trades in security tokens to be cleared and settled by "(i) a registered clearing agency or clearing agency exempt from registration pursuant to the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity in the Exchange's discretion, that may lawfully provide such functions." In this way, the Exchange's proposed rules are flexible to permit any market participant that is duly authorized and appropriately registered or exempted by the Commission pursuant to Section 17A of the Exchange Act to be able to act as an Approved Settlement Provider for security token transactions. Therefore, BSTX's rules do not impose any burden on

competition regarding the manner in which trades may be cleared or settled.

With respect to the proposed limitation on the trading other than on BSTX, the Exchange believes it is essential to ensure that blockchain-based equity securities are introduced in manner that prioritizes the protection of investors. Given some of the unique characteristics of security tokens, such as the need to whitelist private key addresses and to have sufficient familiarity with the manner in which security tokens are moved from one address to another, the Exchange believes it is important that trading in security tokens occurs on an exchange with the necessary infrastructure and knowledge to facilitate such trading. Moreover, the proposed limitation is designed to help address deficiencies in the market structure for smaller market capitalization issuers such as market fragmentation and dispersed liquidity.²³⁵ While this may pose a burden on competition as between BSTX and the rest of the market, the Exchange believes that the investor protection concerns and the potential benefits that would accrue to security token issuers override such competitive concerns. The proposed limitation may also promote competition among exchanges. Other exchanges might similarly propose to act as the sole trading venue for certain securities and develop innovative ways of improving the market structure for certain securities.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

Item 6. Extension of Time Period for Commission Action

Not applicable.

²³⁵ See supra Section III.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

Item 8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

As described in further detail above in connection with the discussion of proposed Exchange Rules, many of the proposed Rules are based on the rules of other national securities exchanges, including IEX and Cboe BZX.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 3A. BSTX Participant Application.

Exhibit 3B. BSTX Participant Agreement.

Exhibit 3C. BSTX Participant User Agreement

Exhibit 3D. Market Maker Selection

Exhibit 3E. BSTX Participant Clearing Authorization (Non-Market Maker).

Exhibit 3F. BSTX Participant Clearing Authorization (Market Maker).

Exhibit 3G. BSTX Original Listing Application

- Exhibit 3H. BSTX Additional Listing Application
- Exhibit 3I. BSTX Listing Application Checklist
- Exhibit 3J. BSTX Listing Agreement
- Exhibit 3K. BSTX Security Token Market Corporate Governance Affirmation
- Exhibit 3L. BSTX Security Token Design Affirmation
- Exhibit 3M. Sample Underwriter's Letter
- Exhibit 5A. Proposed BSTX Rules.
- Exhibit 5B. Proposed changes to BOX rules.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, BOX Exchange LLC has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

BOX Exchange LLC

By: _____

Lisa Fall

President

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[_____]; File No. SR-BOX-2019-19)

May 30, 2019

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Proposed Rule Change Related to Adopt Rules to Govern the Trading of Equity Securities on the Exchange Through a Facility of the Exchange Known as the Boston Security Token Exchange LLC

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 30, 2019, BOX Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. The Exchange’s Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 as amended (“Exchange Act” or the “Act”),³ the Exchange is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt rules to govern the trading of equity securities on the Exchange through a facility of the Exchange known as Boston Security Token Exchange LLC (“BSTX”). As described more fully below, BSTX will operate a fully automated, price/time priority

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(1).

execution system for the trading of “security tokens,” which are equity securities meeting BSTX listing standards and that use the functionality of distributed ledger technology.

The proposed additions to the Exchange’s Rules setting forth new Rule Series 17000 – 28000 are included as Exhibit 5A. All text set forth in Exhibit 5A would be newly added to the Exchange’s rules and therefore marking of the text is omitted. Forms proposed to be used in connection with the proposed rule change, such as the application to become a BSTX Participant, are included as Exhibit 3A through 3O.

In addition, the Exchange proposes to make certain amendments to several existing BOX Rules to facilitate trading on BSTX. The proposed changes to the existing BOX Rules will not change the core purpose of the subject Rules or the functionality of other BOX trading systems and facilities. Specifically, the Exchange is seeking to amend BOX Rules 100, 2020, 2040, 2060, 3180, 7130, 7150, 7230, 7245, IM-8050-3, 11010, 11030, 12030, and 12140. These proposed changes are set forth in Exhibit 5B. Material proposed to be added to the Rule as currently in effect is underlined and material proposed to be deleted is bracketed.

All capitalized terms not defined herein have the same meaning as set forth in the Exchange’s Rules.⁴

II. The Exchange’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

⁴ The Exchange’s Rules can be found on the Exchange’s public website: <https://boxoptions.com/regulatory/rulebook-filings/>.

the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) The Exchange's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(1) Purpose

The Exchange is proposing to adopt a series of rules to govern the trading of equity securities through a facility of the Exchange known as BSTX and make certain amendments to the existing BOX rules to facilitate trading on BSTX. As described more fully below, BSTX will operate a fully automated, price/time priority execution system ("BSTX System") for the trading of "security tokens," which are equity securities meeting BSTX listing standards and that are able to use the functionality of distributed ledger technology to maintain records of ownership. All BOX Participants will be eligible to participate in BSTX provided that they become a BSTX Participant pursuant to the proposed rules. Under the proposed rules, BSTX will serve as the listing market for eligible companies that wish to issue their registered securities as security tokens. Security tokens will trade as NMS stock,⁵ but will only be available for trading on BSTX as described in Section III below. A guide to the structure of the proposed rule change is described immediately below.

I. *Guide to the Scope of the Proposed Rule Change*

The proposal for trading of security tokens through BSTX generally involves changes to existing BOX Rules and new BOX Rules pertaining specifically to BSTX ("BSTX Rules"). In addition, BSTX corporate governance documents as well as certain

⁵ 17 CFR 242.600(b)(48).

discrete changes to existing BOX corporate governance documents are necessary, which the Exchange will submit to the Commission through a separate proposed rule change.

To support the trading of security tokens through BSTX, certain conforming changes are proposed to existing BOX Rules and entirely new BSTX Rules are also proposed as Rule Series 17000 through 28000.⁶ Each of those new Rule Series and the provisions thereunder are described in greater detail below. Where the BSTX Rules are based on existing rules of another national securities exchange, the source rule from the relevant exchange is noted along with a discussion of notable differences between the source rule and the proposed BSTX Rule. The proposed BSTX Rules are addressed in Section IV below and they generally cover the following areas:

- Section 17000 – General Provisions of BSTX;
- Section 18000 – Participation on BSTX;
- Section 19000 – Business Conduct for BSTX Participants;
- Section 20000 – Financial and Operational Rules for BSTX Participants;
- Section 21000 – Supervision;
- Section 22000 – Miscellaneous Provisions;
- Section 23000 – Trading Practice Rules;
- Section 24000 – Discipline and Summary Suspension;
- Section 25000 – Trading Rules;
- Section 25200 – Market Making on BSTX;
- Section 26000 – BSTX Listing Rules;

⁶ The proposed changes to BOX rules and the proposed BSTX rules are attached as Exhibit 5A.

- Section 27000 – Suspension and Delisting;
- Section 27100 – Guide to Filing Requirements;
- Section 27200 – Procedures for Review of Exchange Listing Determinations; and
- Section 28000 – Dues, Fees, Assessments and Other Charges.

II. *Overview of BSTX and Considerations Related to the Listing, Trading and Clearance and Settlement of Security Tokens*

A. The Joint Venture and Ownership of BSTX

On June 19, 2018, t0.com Inc. (“tZERO”) and BOX Digital Markets LLC (“BOX Digital”) announced a joint venture to facilitate the trading of security tokens on the Exchange.⁷ As part of the joint venture, BOX Digital, which is a subsidiary of BOX Holdings Group LLC, and tZERO each own 50% of the BSTX LLC. Pursuant to the BSTX LLC Agreement, BOX Digital and tZERO will perform certain specified functions with respect to the operation of BSTX. As noted, these details, as well as the proposed governance structure of the joint venture and accompanying changes to the Exchange’s current governance documents and bylaws, will be submitted as a separate proposed rule change with the Commission.

B. BSTX Is a Facility of BOX That Will Support Trading in the New Asset Class of Security Tokens

⁷ See tZERO and BOX Digital Markets Sign Deal to Create Joint Venture, Business Wire (June 19, 2018), available at <https://www.businesswire.com/news/home/20180619005897/en/tZERO-BOX-Digital-Markets-Sign-Deal-Create>.

BSTX will operate as a facility⁸ of BOX, which is a national securities exchange registered with the SEC. As a facility of BOX, BSTX's operations will be subject to applicable requirements in Sections 6 and 19 of the Exchange Act, among other applicable rules and regulations.⁹ Currently, BOX functions as an exchange only for standardized options. While BSTX may eventually support a wider variety of securities, subject to Commission approval, at the time that BSTX commences operations it will only support trading in security tokens that are equity securities. Accordingly, this represents a new asset class for BOX, and this proposal sets forth the changes and additions to the Exchange's rules to support the trading of equity securities as security tokens.

C. Security Tokens Will Be NMS Stocks

The security tokens will qualify as NMS stocks pursuant to Regulation NMS,¹⁰ which defines the term "NMS security" in relevant part to mean "any security or class of securities for which transaction reports are collected, processed and made available pursuant to an effective transaction reporting plan"¹¹ In turn, Rule 601(a)(1) will

⁸ 15 U.S.C. 78c(a)(2). Section 3(a)(2) of the Exchange Act, provides that "the term 'facility' when used with respect to an exchange includes its premises, tangible or intangible property whether on the premises or not, any right to the use of such premises or property or any service thereof for the purpose of effecting or reporting a transaction on an exchange (including, among other things, any system of communication to or from the exchange, by ticker or otherwise, maintained by or with the consent of the exchange), and any right of the exchange to the use of any property or service." Because the Exchange owns 50% of BSTX LLC and has the right to use BSTX LLC for the purpose of effecting transactions in security tokens, BSTX is a facility of the Exchange.

⁹ 15 U.S.C. 78f; 15 U.S.C. 78s.

¹⁰ 17 CFR 242.600 through 613.

¹¹ 17 CFR 242.600(b)(47).

require BOX to file a transaction reporting plan regarding transactions in listed equity securities that are executed through BSTX as a facility of the Exchange.¹² The term “NMS stock” means “any NMS security other than an option”¹³ and therefore security tokens traded on BSTX that represent equity securities will be classified as NMS stock.

D. BSTX Will Support Trading of Registered Securities

All security tokens traded on BSTX will be registered with the Commission under both Section 12 of the Exchange Act¹⁴ and Section 6 of the Securities Act of 1933 (“Securities Act”).¹⁵ Issuers would register eligible security tokens using Forms 10 and 8-A under the Exchange Act. BSTX will not support trading of security tokens offered under an exemption from registration for public offerings, with the exception of certain offerings under Regulation A that meet the proposed BSTX listing standards.

E. Approved Settlement Provider

Transactions in security tokens on BSTX will be cleared and settled through Approved Settlement Providers. Pursuant to the BSTX Rules, an Approved Settlement Provider could be a registered or exempt clearing agency, transfer agent or any other entity approved by BSTX that may lawfully provide such clearance and settlement functions.¹⁶ To facilitate the clearance and settlement of all security token transactions through an Approved Settlement Provider, the BSTX Rules would also require each

¹² 17 CFR 242.601(a)(1). The rule states in relevant part that “every national securities exchange shall file [with the SEC] a transaction reporting plan regarding transactions in listed equity and Nasdaq securities executed through its facilities”

¹³ 17 CFR 242.600(b)(47).

¹⁴ 15 U.S.C. 78l.

¹⁵ 15 U.S.C. 77f.

¹⁶ See proposed BSTX Rule 17000(a)(4).

BSTX Participant that is a Carrying BSTX Participant to have a written agreement for custody and settlement services with an Approved Settlement Provider.

F. Listing Rules and Compatibility with the Ethereum Blockchain

BSTX would maintain listing standards that would enable security tokens to have a record of their ownership recorded on the Ethereum blockchain using a protocol standard determined by BSTX (the “BSTX security token protocol”).¹⁷ In this way, the Ethereum blockchain would serve as a complementary recordkeeping mechanism to the official records of security token ownership that would be maintained by an Approved Settlement Provider and the BSTX Participants.¹⁸ In general, a blockchain is an open, decentralized ledger that can maintain digital records of assets and transactions that are accessible to anyone running the same protocol.¹⁹ The blockchain’s central function is to encode transitions or changes to the ledger, such as the movement of an asset from one person to another person. Whenever one change to the blockchain ledger occurs to record a state transition, the entire blockchain is immutably changed to reflect the state transition. The purpose of requiring security tokens to adopt the BSTX security token protocol is to enable security tokens to be recorded on the public Ethereum blockchain and ensure uniformity among security tokens rather than permitting each security token

¹⁷ While BSTX initially intends to support only the trading of eligible security tokens that are compatible with the Ethereum public blockchain, BSTX may support tokens compatible with other blockchains that support smart contract functionality in the future.

¹⁸ As proposed in BSTX Rule 17000, the term “Approved Settlement Provider” would mean “(i) a registered clearing agency or clearing agency exempt from registration under the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity, in the Exchange’s discretion, that may lawfully provide such functions.”

¹⁹ A “protocol” for this purpose is a set of rules governing the format of messages that are exchanged between the participants.

to have its own unique specifications that might complicate transfers and add unnecessary complexity.

The Ethereum blockchain is an open-source, public blockchain that operates as a computing platform and operating system that supports smart contract functionality.²⁰ Smart contracts are computer protocols designed to digitally facilitate, verify, and enforce the performance of a contract. Ethereum-based smart contracts are executed on the Ethereum Virtual Machine, which can be thought of as a global computer network upon which the smart contracts run. Ether is the digital currency used to pay fees associated with operating smart contracts (known as “gas”) on the Ethereum networks. This is because there are costs involved in performing the computations necessary to execute a smart contract and to record any state transitions onto the Ethereum blockchain.²¹ Thus, moving tokens from one address to another address (i.e., a state transition) requires some amount of Ether to pay the fee (i.e., gas) associated with recording the movement of tokens to the Ethereum blockchain. Parties to a transaction in Ethereum-based smart contracts can determine what those gas costs are depending on how quickly they would like the transaction to be reflected on the Ethereum blockchain.

The different smart contracts built on top of the Ethereum network can be understood in this context as different tokens. Each smart contract/token might perform different functions and may operate pursuant to a different set of technical specifications, but all are ultimately recorded on the Ethereum blockchain. However, if each

²⁰ See Ethereum White Paper (last updated Aug. 1, 2018) available at <https://github.com/ethereum/wiki/wiki/White-Paper>.

²¹ See *What Is Gas*, MyEtherWallet (2018) available at <https://kb.myetherwallet.com/posts/transactions/what-is-gas/>.

token/smart contract is running pursuant to different technical specifications, transferring tokens and ensuring tokens can be securely maintained becomes challenging.

Consequently, a number of pre-established sets of technical specifications or protocol standards have emerged.

Two of the most prominent of the standardized protocols are the ERC-20 protocol and the ERC-884 protocol, which are discussed below.²² The BSTX security token protocol is based on the ERC-884 protocol standard.

1. ERC-20 Protocol Standard

The ERC-20 protocol standard is a set of rules that a token must adopt to be considered an ERC-20 token. It offers basic functionalities to transfer tokens, obtain account balances, get the total supply of tokens, and allow for token approvals. The use of the ERC-20 protocol standard means that all tokens run the protocol function in the same way. The six functions of the ERC-20 protocol standard are:²³

- (1) Total Supply – designates the total supply of tokens.
- (2) Balance Of – upon providing the wallet address of a token owner, this returns the amount of tokens held at that address.

²² “ERC” is the abbreviation for “Ethereum Requests for Comments,” which is the name for technical documents for smart contract developers on Ethereum that define a set of rules required to implement tokens that can be recorded on the Ethereum blockchain. *See e.g.*, Lauren Stephanian, [*The Ethereum Token Standards You Need to Know*](#), Medium (Feb. 5, 2018).

²³ *See e.g.*, Jesus Najera, Understanding ERC20, Coin Central (Jan. 8, 2018), available at <https://coincentral.com/understanding-erc20/>; Alfonso de la Rocha, [*Anatomy of an ERC: An Exhaustive Survey*](#), Medium (May 7, 2018) <https://medium.com/coinmonks/anatomy-of-an-erc-an-exhaustive-survey-8bc1a323b541>.

- (3) Transfer – allows for the transfer of tokens to other specified addresses, and requires two parameters: the receiver address and the amount of tokens being sent.
- (4) Transfer From – this allows for a smart contract to transfer shares on behalf of a token owner pursuant to the operation of a smart contract. It differs from the “Transfer” function in that Transfer is used to send tokens directly by the owner to a specified address, while Transfer From permits automatic transfer when specified conditions (*e.g.*, those in a smart contract) are met.
- (5) Allowance – allows for two addresses to create repeated unidirectional transfers. By designating the token owner and the second wallet to which the transfer may occur, multiple unidirectional transfers may occur at specified intervals.
- (6) Approve – allows for a wallet owner to “approve” a transaction that is about to be made, and requires the address of the destination to which the tokens will be sent and the amount of tokens being sent.

There are additional optional specifications of the ERC-20 protocol standard such as the token name, the token symbol, and decimals, which represent how divisible a token can be (if at all).²⁴

2. ERC-884 Protocol Standard

The ERC-884 protocol standard allows for the creation of ERC-20 tokens where each token represents a single, unnumbered share of a Delaware corporation. As a result

²⁴ For example, decimals would specify the degree to which a token can be divided into fractional tokens, the equivalent of fractional shares.

of recent changes to Delaware corporate law, blockchains may now be used to maintain corporate share registries under Delaware law.²⁵ The ERC-884 protocol standard adopts the ERC-20 protocol standard and adds additional specifications to comply with the requirements of Delaware corporate law. Specifically, the ERC-884 protocol standard requires the following additional specifications:²⁶

- (1) No Fractional/Partial ERC-884 Tokens – each ERC-884 token must represent a single unnumbered share of the issuer. Consequently, the optional decimals functionality of the ERC-20 protocol standard must be set to “0” to ensure that each token represent a single share and is not divisible.
- (2) Identity Verification – token owners must have their identity verified to ensure that owners are appropriately whitelisted.²⁷
 - This requires that the “Transfer” and “Transfer From” functions do not allow transfer to non-verified addresses and must maintain a list of token holders.

²⁵ Delaware State Senate, 149th General Assembly, Senate Bill No. 69: An Act to Amend Title 8 of the Delaware Code Relating to the General Corporation Law (July 21, 2017) available at <https://legis.delaware.gov/BillDetail/25730>.

²⁶ See Dave Sag, EIP 884: DGCL Token (Feb. 14, 2018), available at <https://eips.ethereum.org/EIPS/eip-884>. See also Dave Sag, Tokenising Shares: Introducing ERC-884, Medium (Apr. 16, 2018), available at <https://medium.com/coinmonks/tokenising-shares-introducing-erc-884-cc491258e413>.

²⁷ Whitelisting is a process whereby the designer of a program or software specifies the allowable uses of such program or software. In the context of eligible security tokens, whitelisting can be used to create a list of allowed addresses to which eligible security tokens may be sent and from which may be received.

- (3) Corporate Stock Ledger – each ERC-884 token must provide the three functions of a corporate stock ledger:²⁸
 - (i) Reporting – allow for the corporation to prepare an up-to-date list of all token holders;²⁹
 - (ii) Record partly paid-for tokens, the total amount paid, and the total amount to be paid; and
 - (iii) Transfers of tokens.
- (4) Cancel and Reissue – requires that an ERC-884 token establish a mechanism to allow a token holder that has lost their private key or otherwise lost access to their tokens to have their wallet address cancelled and the tokens re-issued to them at a new address.

3. BSTX Security Token Protocol

The BSTX security token protocol generally address the same considerations that are addressed by the ERC-884 protocol and is designed to comply with the requirements of Delaware law.³⁰ The Exchange expects to make the BSTX security token protocol available via Regulator Circular pursuant to proposed BSTX Rule 26138.

G. Wallet Managers

²⁸ See Section 224 of the Delaware General Corporation Law regarding the permissible forms of records. 8 *Del. C.* § 224.

²⁹ See 8 *Del. C.* §§ 219-220.

³⁰ See *id.* See also *supra* note 25.

Each BSTX Participant³¹ must arrange to have its security tokens managed by a party that operates wallet manager software to custody and transfer the eligible security tokens of the member and its customers (a “Wallet Manager”).³² The wallet manager software is how transactions in eligible security tokens are recorded to the public Ethereum blockchain. A “wallet” in this context is software that stores the private and public keys, which can be used to securely move eligible security tokens from one person’s address to another’s address and to prevent unauthorized access to tokens. Public and private keys form the basis of a cryptographic system. Each address of a wallet has a public key (synonymous with public address) that may be disseminated widely and a private key that is known only to the owner (and those with whom the owner may share the private key). On the Ethereum blockchain, a public key can be used to send tokens (signed by the sender’s private key) to another public key/address. Only the private key associated with the receiving public address can access and control the tokens sent to that public address.³³ The sending of eligible security tokens from one

³¹ A “BSTX Participant” is an Exchange Participant that is authorized to trade security tokens on the Exchange. See proposed Rule 17000(a)(12) (defining BSTX Participant).

³² A “Wallet Manager” is a party approved by BSTX to operate software compatible with the BSTX Protocol on behalf of a BSTX Participant. See proposed Rule 17000(a)(32) (defining Wallet Manager). At the commencement of BSTX’s operations, it is expected that tZERO will make the wallet manager software available to be licensed. Other market participants, however, would be permitted to develop and use or license wallet manager software provided that it is compatible with the BSTX security token protocol.

³³ For example, if BSTX Participant A bought eligible security tokens from BSTX Participant B, BSTX Participant B, through its Wallet Manager and Approved Settlement Provider, would send eligible security tokens to the wallet address (i.e., public key) of BSTX Participant A. Only an individual with knowledge of BSTX Participant A’s private key can make an ensuing transfer of the eligible security tokens once sent to BSTX Participant A’s public address.

wallet address to another wallet address records the transaction to the Ethereum blockchain.³⁴ As noted above, recording transactions to the Ethereum blockchain requires the payment of gas costs in the form of Ether. Wallet Managers will need to maintain enough Ether to facilitate the movement of security tokens between different addresses and have these transactions recorded to the Ethereum blockchain.

Because eligible security tokens are compatible with the Ethereum network, anyone with an Ethereum wallet could have security tokens sent to an address (i.e., public key) at the wallet, provided the address is whitelisted. Accordingly, it would be possible for a customer to request that his or her BSTX Participant send his or her eligible security tokens to that individual's personal Ethereum wallet address after it is whitelisted, pursuant to the Exchange's process for whitelisting addresses. However, upon the receipt by such a customer of their eligible security tokens to their private wallet address, the customer could not thereafter transfer the eligible security tokens to an address other than a whitelisted address.

H. Coordination Between BSTX, Approved Settlement Providers and Wallet Managers

Upon the occurrence of a transaction on BSTX due to the completion of its order matching process,³⁵ BSTX will generate an execution report, and it will deliver drop

³⁴ To the extent BSTX Participant and Wallet Manager had two of its customers match in a trade on BSTX and such customers eligible security tokens were held in the same wallet address (e.g., an omnibus address of the Exchange member's customers) the transaction would not need to move between two addresses and the transaction would be recorded via book-entry transfer on the broker-dealer's books and records. In such a case, the transaction would not be recorded to the Ethereum blockchain.

³⁵ Order matching would occur through a price-time priority model, as discussed in greater detail below.

copies to its own front-end systems to update the BSTX Participants and the Approved Settlement Provider(s) acting on behalf of the BSTX Participants.³⁶ The Wallet Manager would also be provided with information necessary to update the Ethereum blockchain. Where a BSTX transaction creates a settlement obligation to transfer registered ownership of a security token, an Approved Settlement Provider's receipt of the drop copy will serve as an instruction, as the case may be, to transfer security tokens from the seller to the buyer and/or to transfer cash from the buyer to the seller. Upon receipt of the transaction information, the Wallet Manager for the seller would then use the private key to cause the transfer of the security token from the public wallet address of the selling BSTX Participant to the public address of the purchasing BSTX Participant. It is possible that a market participant may act as both an Approved Settlement Provider and as a Wallet Manager

III. *Trading Exclusively on BSTX*

The Exchange proposes to limit trading in security tokens to BSTX only in order to concentrate liquidity in security tokens on a single trading center. As discussed in greater detail below in Section IV.K., the Exchange proposes to adopt listing standards that are 20% lower than those of existing equity exchanges. These modestly lower listing standards and the proposed limitation of trading to just BSTX are designed to attract innovative issuers that might not otherwise choose to list their securities on a national securities exchange and create a trading environment where they can flourish.

³⁶ The last sale transaction data would also be publicly disseminated pursuant to the transaction reporting plan, which would occur before delivery of drop copies to these parties.

Chairman Clayton has recently expressed concerns regarding illiquidity in thinly-traded securities, noting, among other things, that “[i]lliquidity hampers [thinly-traded issuers] in many areas, including in their ability to raise additional capital, obtain research coverage, engage in mergers and acquisitions, and hire and retain personnel.”³⁷ In 2017, the U.S. Department of the Treasury recommended that issuers of less liquid stocks be permitted to partially or fully suspend unlisted trading privileges for their securities.³⁸ To that end, Chairman Clayton announced on March 8, 2019, that he asked the staff of the Commission’s Division of Trading and Markets to explore potential limitations on unlisted trading privileges for certain classes of thinly traded stocks.³⁹

Consistent with these calls for an improvement in the market quality of smaller market capitalization issuers, BSTX proposes an exchange model designed to address these concerns. The Exchange believes that limiting trading in security tokens to just BSTX will promote efficiency, competition, and capital formation in several ways. First, limiting security token trading to BSTX would mitigate the impact of market

³⁷ Chairman Jay Clayton, Commission, Equity Market Structure 2019: Looking Back & Moving Forward, Remarks at Gabelli School of Business, Fordham University, New York, New York (March 8, 2019) (“Clayton UTP Remarks”) available at https://www.sec.gov/news/speech/clayton-redfearn-equity-market-structure-2019#_ftnref4.

³⁸ U.S. Department of the Treasury, A Financial System that Creates Economic Opportunities: Capital Markets, Report to President Donald J. Trump (October 2017) at 207 (Appendix B), available at <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf>. Other regulators have also suggested that it would be appropriate to limit unlisted trading privileges as well. See Clayton UTP Remarks, at n.13 (noting that several panelists on the Roundtable on Market Structure for Thinly-Traded Securities, supported the approach of limiting unlisted trading privileges, with some suggesting going even farther and considering whether Regulation NMS rules should be eliminated in this segment of the market).

³⁹ See supra note 37.

fragmentation on security token issuers. Second, it would encourage additional issuers to list their securities knowing that the securities would be traded in an environment that minimizes these impediments that smaller issuers currently face. Third, exchanges would have strong incentives to innovate in order to attract issuers to trade exclusively on their exchange, which would promote competition among exchanges. With respect to limiting over-the-counter (“OTC”) trading in security tokens, the Exchange believes that the benefits of concentrated liquidity that would accrue to security token issuers would be undermined if trading were allowed both on BSTX and in the OTC markets. In addition, the Exchange believes that limiting trading to BSTX would help facilitate surveillance of security token trading and an orderly introduction of trading in registered security tokens to the U.S. capital markets.

Accordingly, the Exchange is requesting exemptive relief from the Commission through to allow security tokens to trade only on BSTX. Specifically, to limit over-the-counter (“OTC”) trading in security tokens, the Exchange is requesting that the Commission exercise its exemptive authority pursuant to Section 11A(c)(3)⁴⁰ and

⁴⁰ 15 U.S.C. 78k-1(c)(3). Section 11A(c)(3) provides that the Commission, by rule, is authorized to prohibit brokers and dealers from effecting transactions in registered securities otherwise than on a national securities exchange if it makes certain findings. Specifically, the Commissions must find on the record after notice and opportunity for hearing that: (i) as a result of transactions in securities effected otherwise than on an exchange the of fairness or orderliness of the markets for such securities has been affected in a manner contrary to the public interest or the protection of investors; (ii) no rule of any exchange unreasonably impairs the ability of any dealer to solicit or effect transactions in such securities for its own account or unreasonably restricts competition among dealers in such securities or between dealers acting in the capacity of market makers who are specialists in such securities and such dealers who are not specialist in such securities; and (iii) the maintenance or restoration of fair and orderly markets in such securities may not be assured through other lawful means under this chapter. 15 U.S.C. 78k-1(c)(3)(A).

Section 36(a)⁴¹ of the Exchange Act, to exempt the Exchange from Rules 19c-1⁴² and 19c-3⁴³ under the Exchange Act, which generally prohibit the rules of a national securities exchange from limiting the ability of its members from trading securities otherwise than on an exchange. To limit trading in security tokens on other national securities exchanges, the Exchange is requesting that the Commission exercise its exemptive authority pursuant to Section 36(a) of the Exchange Act⁴⁴ to exempt security tokens that are listed on BSTX from Section 12(f)(1)(A)(i) of the Exchange Act,⁴⁵ which generally allows any national securities exchange to extend unlisted trading privileges to any security that is listed and registered on a national securities exchange.

⁴¹ 15 U.S.C. 78mm(a). Section 36(a) of the Exchange Act provides that the Commission may, by rule, regulation, or order, conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this chapter or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

⁴² 17 CFR 240.19c-1. Rule 19c-1 generally provides that no rule, policy, or practice of an exchange shall prohibit or condition or otherwise limit, directly or indirectly, the ability of any exchange member acting as agent to effect any transaction otherwise than on the exchange with another person (except where the member is also acting as agent for the other person) in any equity security listed on the exchange or to which unlisted trading privileges on the exchange have been extended.

⁴³ 17 CFR 240.19c-3. Rule 19c-3 generally provides that no rule, policy, or practice of an exchange shall prohibit or condition or otherwise limit, directly or indirectly, the ability of any exchange member to effect any transaction otherwise than on the exchange in any reported security listed and registered on the exchange or as to which unlisted trading privileges on the exchange have been extended which is not a “covered security,” as defined in the rule.

⁴⁴ 15 U.S.C. 78mm(a).

⁴⁵ 15 U.S.C. 78l(f)(1)(A)(i).

The Exchange believes that there is good cause for exemptive relief with respect to these provisions to promote efficiency, competition, and capital formation,⁴⁶ by facilitating the trading of security tokens in a manner that addresses structural impediments in the market for small market capitalization securities.

IV. *Proposed BSTX Rules*

The discussion in this Section IV addresses the proposed BSTX Rules that would be adopted as Rule Series 17000 through 28000.

A. General Provisions of BSTX and Definitions (Rule 17000 Series)

The Exchange proposes to adopt as its Rule 17000 Series (General Provisions of BSTX) a set of general provisions relating to the trading of security tokens and other rules governing participation on BSTX. Proposed Rule 17000 sets forth the defined terms used throughout the BSTX Rules. The majority of the proposed definitions are substantially similar to defined terms used in other equities exchange rulebooks, such as with respect to the term “customer.”⁴⁷ The Exchange proposes to set forth new definitions for certain terms to specifically identify systems, agreements, or persons as they relate to BSTX and as distinct from other Exchange systems, agreements, or persons that may be used in connection with the trading of other options on the Exchange.⁴⁸ The

⁴⁶ 15 U.S.C. 78c(f).

⁴⁷ Proposed Rule 17000(a)(18) defines the term “customer” to not include a broker or dealer, which parallels the same definition in other exchange rulebooks. See e.g., IEX Rule 1.160(j). Similarly, the Exchange proposes to define the term “Regular Trading Hours” as the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See proposed Rule 17000(a)(29) cf. IEX Rule 1.160(gg) (defining “Regular Market Hours” in the same manner).

⁴⁸ For example, the Exchange proposes to define the term “BSTX” to mean the facility of the Exchange for executing transaction in security tokens, the term “BSTX Participant” to mean a Participant or Options Participant (as those terms

Exchange also proposes to define certain unique terms relating to the trading of security tokens, including: (i) “security token;”⁴⁹ (ii) “Approved Settlement Provider;”⁵⁰ (iii) “Carrying BSTX Participant;”⁵¹ and “Wallet Manager.”⁵² The terms “Approved Settlement Provider,” “Carrying BSTX Participant” and “Wallet Managers” are defined to help facilitate the clearance, settlement, and transfers relating to security token transactions that occur on BSTX. As discussed in greater detail below, pursuant to proposed Rule 18010(b) and (c), BSTX Participants would be required to enter into a written agreement with an Approved Settlement Provider and Wallet Manager, or a Carrying BSTX Participant that would facilitate these relationships on behalf of other BSTX Participants, in a form and manner acceptable to the Exchange. The Carrying

are defined in the Exchange’s Rule 100 Series) that is authorized to trade security tokens, and the term “BSTX System” to mean the automated trading system used by BSTX for the trading of security tokens. See proposed Rule 17000(a)(9), (12), and (15).

⁴⁹ Proposed Rule 17000(a)(31) provides that the term “security token” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System. The proposed definition further specifies that references to a “security” or “securities” in the Rules include security tokens.

⁵⁰ Proposed Rule 17000(a)(4) defines the term “Approved Settlement Provider” to mean: (i) a registered clearing agency or clearing agency exempt from registration pursuant the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity, in the Exchange’s discretion, that may lawfully provide such functions. See also supra Sections II.E and H. for a discussion of the role of an Approved Settlement Provider.

⁵¹ Proposed Rule 17000(a)(4) defines the term “Carrying BSTX Participant” to mean a BSTX Participant that has: : (i) entered into a written agreement with an Approved Settlement Provider and Wallet Manager pursuant to Exchange Rule 18010; and (ii) that has been designated by other BSTX Participants to facilitate settlement, custody, and transfers relating to security token transactions through its relationship with an Approved Settlement Provider and Wallet Manager.

⁵² Proposed Rule 17000(a)(32) defines the term “Wallet Manager” a party approved by BSTX to operate software compatible with the BSTX Protocol on behalf of a BSTX Participant. See also supra Sections II.G and H. for a discussion of the role of a Wallet Manager.

BSTX Participant structure mimics the existing structure in securities markets of introducing broker-dealers who have a relationship with a carrying broker-dealer that is a member of registered clearing agency and that facilitates the custody, clearance, and settlement of securities transactions on behalf of the introducing broker.

In addition to setting forth proposed definitions used throughout the proposed Rules, the Exchange proposes to specify in proposed Rule 17010 (Applicability) that the Rules set forth in the Rule 17000 Series to Rule 27000 Series apply to the trading, listing, and related matters pertaining to the trading of security tokens. Proposed Rule 17010(b) provides that, unless specific Rules relating to security tokens govern or unless the context otherwise requires, the provisions of any Exchange Rule (i.e., including Exchange Rules in the Rule 100 through 16000 Series) shall be applicable to BSTX Participants.⁵³ This is intended to make clear that BSTX Participants are subject to all of the Exchange's Rules that may be applicable to them, notwithstanding that their trading activity may be limited solely to trading security tokens.

Finally, proposed Rule 17020(b) would limit the ability of BSTX Participants to trade security tokens otherwise than on BSTX. This rule is intended to help promote greater liquidity in security tokens and address structural problems relating to the market for small market capitalization issuers, as discussed in Section III above. BSTX does, however, propose in Rule 17020(c) to allow BSTX Participants to facilitate the transfer of a security token otherwise than on BSTX by seeking exemptive relief from the Exchange to permit such activity in limited circumstances. The proposed rule further

⁵³ Proposed Rule 17010 further specifies that to the extent the provisions of the Rules relating to the trading of security tokens contained in Rule 17000 Series to Rule 27000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to security token trading shall control.

specifies that the Exchange may provide general exemptive authority via Regulatory Circular to, for example, specify that a gift or other transfer of security tokens not for value is permissible.

The Exchange believes that the proposed definitions set forth in Rule 17000 are consistent with Section 6(b)(5) of the Exchange Act⁵⁴ because they protect investors and the public interest by setting forth clear definitions that help BSTX Participants understand and apply Exchange Rules. Without defining terms used in the Exchange Rules clearly, market participants could be confused as to the application of certain rules, which could cause harm to investors.

The Exchange believes that restricting trading of security tokens to only BSTX under proposed Rule 17020 is consistent with Section 6(b)(5) of the Exchange Act⁵⁵ because doing so will help foster cooperation and coordination with persons engaged in regulating and facilitating transactions in securities and would protect investors and the public interest. By limiting trading to just BSTX, the Exchange will be able to surveil the entirety of the security token market and ensure an orderly introduction of equity securities that are able to use the functionality of distributed ledger technology to maintain record ownership and ensure that BSTX Participants are able to securely maintain and transfer their security tokens, which furthers the protection of investors and the public interest. Moreover, the Exchange believes that the proposed limitation is consistent with Section 3(f) of the Exchange Act⁵⁶ by facilitating the trading of security tokens in a manner that addresses structural problems in the market for small market

⁵⁴ 15 U.S.C. 78f(b)(5).

⁵⁵ 15 U.S.C. 78f(b)(5).

⁵⁶ 15 U.S.C. 78c(f).

capitalization securities, such as market fragmentation and dispersed liquidity. Given these considerations, the Exchange believes that it is appropriate to limit trading to BSTX.

The Exchange recognizes that proposed Rule 17020 would potentially conflict with Rules 19c-1⁵⁷ and 19c-3⁵⁸ under the Exchange Act which generally prohibit the rules of a national securities exchange from limiting the ability of its members from trading securities otherwise than on an exchange, as well as Section 12(f) of the Exchange Act, which generally allows exchanges to extend unlisted trading privileges to securities listed on a national securities exchange. However, as discussed in Section III above, the Exchange is seeking exemptive relief from the Commission with respect to these provisions.

B. Participation on BSTX (Rule 18000 Series)

The Exchange proposes to adopt as its Rule 18000 Series (Participation on BSTX), three rules setting forth certain requirements relating to participation on BSTX. Proposed Rule 18000 (BSTX Participation) establishes “BSTX Participants” as a new category of Exchange participation for effecting transactions on the BSTX System, provided they: (i) complete the BSTX Participant Application, Participation Agreement, and User Agreement;⁵⁹ (ii) be an existing Options Participant or become a Participant of the Exchange pursuant to the Rule 2000 Series; and (iii) provide such other information

⁵⁷ 17 CFR 240.19c-1.

⁵⁸ 17 CFR 240.19c-3.

⁵⁹ The BSTX Participant Application, Participation Agreement, and User Agreement are attached as Exhibits 3A, 3B, and 3C respectively.

as required by the Exchange.⁶⁰ Proposed Rule 18010 (Requirements for BSTX Participants) sets forth certain requirements for BSTX Participants including in particular the requirement that each BSTX Participant must enter into a written agreement in a form and manner acceptable to the Exchange with an Approved Settlement Provider⁶¹ for the settlement and custody of security tokens. Under Proposed Rule 18010, BSTX Participants could alternatively enter into a written agreement with a Carrying BSTX Participant⁶² for the settlement and custody of security token transactions provided the BSTX Participant provides the Exchange with a written statement identifying and describing the responsibilities of each Carrying BSTX Participant. These requirements are designed to ensure that BSTX Participants have an arrangement with an entity or entities that can facilitate the settlement and custody of security token transactions. Finally, proposed Rule 18020 (Associated Persons) provides that associated persons of a

⁶⁰ Proposed Rule 18000 also sets forth the Exchange’s review process regarding BSTX Participation Agreements and certain limitations on the ability to transfer BSTX Participant status (e.g., in the case of a change of control). In addition proposed Rule 18000(b)(2) provides that a BSTX Participant shall continue to abide by all applicable requirements of the Rule 2000 Series, which would include, for example, IM-2040-5, which specifies continuing education requirements of Exchange Participants and their associated persons.

⁶¹ An “Approved Settlement Provider” is defined in proposed Rule 17000(a)(4) as (i) a registered clearing agency or clearing agency exempt from registration pursuant the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity, in the Exchange’s discretion, that may lawfully provide such functions.

⁶² A “Carrying BSTX Participant” is defined in proposed Rule 17000(a)(16) as a BSTX Participant that has: (i) entered into a written agreement with an Approved Settlement Provider pursuant to Exchange Rule 18010(a) for the settlement and custody of security token transactions; and (ii) that has been designated by other BSTX Participants to facilitate the settlement and custody of their security token transactions through its relationship with an Approved Settlement Provider.

BSTX Participant are bound by the Rules of the Exchange to the same extent as each BSTX Participant.

The Exchange believes that the proposed Rule 18000 Series (Participation on BSTX) is consistent with Section 6(b)(5) of the Exchange Act⁶³ because these proposed rules are designed to promote just and equitable principles of trade, and protect investors and the public interest by setting forth the requirements to become a BSTX Participant and specifying that associated persons of a BSTX Participant are bound by Exchange Rules. Under Proposed Rule 18000, BSTX Participants must first become an Exchange Participant pursuant to the Exchange Rule 2000 Series which the Exchange believes will help assure that BSTX Participants meet the necessary standard for trading on BSTX in furtherance of the protection of investors.⁶⁴

The Exchange believes that requiring BSTX Participants to enter into an agreement with an Approved Settlement Provider and Wallet Manager, or Carrying BSTX Participant with such relationships, is consistent with Section 6(b)(5) of the Exchange Act⁶⁵ because it is designed to “foster cooperation and coordination with persons engaged in clearing, settling, processing information with respect to, and facilitating transactions in securities” by establishing a means by which the security token transactions of BSTX Participants may be settled and securely transferred. The rules of

⁶³ 15 U.S.C. 78f(b)(5).

⁶⁴ The Exchange notes that the approach of requiring members of a facility of an exchange to first become members of the exchange is consistent with the approach used by another national securities exchange. See Cboe BZX Rule 17.1(b)(3) (requiring that a Cboe BZX options member be an existing member or become a member of the Cboe BZX equities exchange pursuant to the Cboe BZX Chapter II Series).

⁶⁵ 15 U.S.C. 78f(b)(5).

other exchanges similarly require that members have arrangements with market participants, such as a clearing broker-dealer, to facilitate the settlement of transactions occurring on the exchange. These requirements apply equally to all BSTX Participants, and the Exchange believes they are designed to protect investors and the public interest by ensuring that the transactions of BSTX Participants, including their customers, can be appropriately settled and securely stored consistent with applicable regulatory requirements.

C. Business Conduct for BSTX Participants (Rule 19000 Series)

The Exchange proposes to adopt as its Rule 19000 Series (Business Conduct for BSTX Participants), twenty two rules relating to business conduct requirements for BSTX Participants that are substantially similar to business conduct rules of other exchanges.⁶⁶ The proposed Rule 19000 Series would specify business conduct requirements with respect to: (i) just and equitable principles of trade;⁶⁷ (ii) adherence to law;⁶⁸ (iii) use of fraudulent devices;⁶⁹ (iv) false statements;⁷⁰ (v) know your customer;⁷¹

⁶⁶ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information).

⁶⁷ Proposed Rule 19000 (Just and Equitable Principles of Trade) provides that no BSTX Participant, including its associated persons, shall engage in acts or practices inconsistent with just and equitable principles of trade.

⁶⁸ Proposed Rule 19010 (Adherence to Law) generally requires BSTX Participants to adhere to applicable laws and regulatory requirements.

⁶⁹ Proposed Rule 19020 (Use of Fraudulent Devices) generally prohibits BSTX Participants from effecting a transaction in any security by means of a manipulative, deceptive or other fraudulent device or contrivance.

⁷⁰ Proposed Rule 19030 (False Statements) generally prohibits BSTX Participants and their associated persons from making false statements or misrepresentations in communications with the Exchange.

(vi) fair dealing with customers;⁷² (vii) suitability;⁷³ (viii) the prompt receipt and delivery of securities;⁷⁴ (ix) charges for services performed;⁷⁵ (x) use of information obtained in a fiduciary capacity;⁷⁶ (xi) publication of transactions and quotations;⁷⁷ (xii) offers at stated prices;⁷⁸ (xiii) payments involving publications that influence the market price of a security;⁷⁹ (xiv) customer confirmations;⁸⁰ (xv) disclosure of a control relationship with

⁷¹ Proposed Rule 19040 (Know Your Customer) requires BSTX Participants to comply with FINRA Rule 2090 as if such rule were part of the Exchange Rules.

⁷² Proposed Rule 19050 (Fair Dealing with Customers) generally requires BSTX Participants to deal fairly with customers and specifies certain activities that would violate the duty of fair dealing (e.g., churning or overtrading in relation to the objectives and financial situation of a customer).

⁷³ Proposed Rule 19060 (Suitability) provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2111 as if such rule were part of the Exchange Rules.

⁷⁴ Proposed Rule 19070 (Prompt Receipt and Delivery of Securities) would generally prohibit a BSTX Participant from accepting a customer's purchase order for a security until it can determine that the customer agrees to receive the securities against payment.

⁷⁵ Proposed Rule 19080 (Charges for Services Performed) generally requires that charges imposed on customers by broker-dealers shall be reasonable and not unfairly discriminatory.

⁷⁶ Proposed Rule 19090 (Use of Information Obtained in a Fiduciary Capacity) generally restricts the use of information as to the ownership of securities when acting in certain capacities (e.g., as a trustee).

⁷⁷ Proposed Rule 19100 (Publication of Transactions and Quotations) generally prohibits a BSTX Participant from disseminating a transaction or quotation information unless the BSTX Participant believes it to be bona fide.

⁷⁸ Proposed Rule 19110 (Offers at Stated Prices) generally prohibits a BSTX Participant from offering to transact in a security at a stated price unless it is in fact prepared to do so.

⁷⁹ Proposed Rule 19120 (Payments Involving Publications that Influence the Market Price of a Security) generally prohibits direct or indirect payments with the aim of disseminating information that is intended to effect the price of a security.

⁸⁰ Proposed Rule 19130 (Customer Confirmations) requires that BSTX Participants comply with Rule 10b-10 of the Exchange Act. 17 CFR 240.10b-10.

an issuer of security tokens;⁸¹ (xvi) discretionary accounts;⁸² (xvii) improper use of customers' securities or funds and a prohibition against guarantees and sharing in accounts;⁸³ (xviii) the extent to which sharing in accounts is permissible;⁸⁴ (xix) communications with customers and the public;⁸⁵ (xx) gratuities;⁸⁶ (xxi) telemarketing;⁸⁷ and (xxii) mandatory systems testing.⁸⁸ The Exchange notes that the proposed financial responsibility rules are virtually identical to those of other national securities exchanges

⁸¹ Proposed Rule 19140 (Disclosure of Control Relationship with Issuer) generally requires BSTX Participants to disclose any control relationship with an issuer of a security before effecting a transaction in that security for the customer.

⁸² Proposed Rule 19150 (Discretionary Accounts) generally provides certain restrictions on BSTX Participants handling of discretionary accounts, such as by effecting excessive transactions or obtained authorization to exercise discretionary powers.

⁸³ Proposed Rule 19160 (Improper Use of Customers' Securities or Funds and Prohibition against Guarantees and Sharing in Accounts) generally prohibits BSTX Participants from making improper use of customers securities or funds and prohibits guarantees to customers against losses.

⁸⁴ Proposed Rule 19170 (Sharing in Accounts; Extent Permissible) generally prohibits BSTX Participants and their associated persons from sharing directly or indirectly in the profit or losses of the account of a customer unless certain exceptions apply such as where an associated person receives prior written authorization from the BSTX Participant with which he or she is associated.

⁸⁵ Proposed Rule 19180 (Communications with Customers and the Public) generally provides that BSTX Participants and their associated persons shall comply with FINRA Rule 2210 as if such rule were part of the Exchange Rules.

⁸⁶ Proposed Rule 19200 (Gratuities) requires BSTX Participants to comply with the requirements set forth in BOX Exchange Rule 3060 (Gratuities).

⁸⁷ Proposed Rule 19210 (Telemarketing) requires that BSTX Participants and their associated persons comply with FINRA Rule 3230 as if such rule were part of the Exchange's Rules.

⁸⁸ Proposed Rule 19220 (Mandatory Systems Testing) requires that BSTX Participants comply with Exchange Rule 3180 (Mandatory Systems Testing).

other than changes to defined terms and certain other provisions that would not apply to the trading of security tokens on the BSTX System.⁸⁹

The Exchange believes that the proposed Rule 19000 Series (Business Conduct) is consistent with Section 6(b)(5) of the Exchange Act⁹⁰ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by setting forth appropriate standards of conduct applicable to BSTX Participants in carrying out their business activities. For example, proposed Rule 19000 (Just and Equitable Principles of Trade) and 19010 (Adherence to Law) would prohibit BSTX Participants from engaging in acts or practices inconsistent with just and equitable principles of trade or that would violate applicable laws and regulations. Similarly, proposed Rule 19050 (Fair Dealing with Customers) would require that BSTX Participants deal fairly with their customers and proposed Rule 19030 (False Statements) would generally prohibit BSTX Participants, or their associated persons) from making false statements or misrepresentations to the Exchange. The Exchange believes that requiring that BSTX Participants comply with the proposed business conduct rules in the Rule 19000 Series would further the protection of investors and the public interest by promoting high standards of commercial honor and integrity. In addition, each of the rules in the

⁸⁹ For example, the Exchange is not proposing to adopt a rule contained in other exchanges' business conduct rules relating to disclosures that broker-dealers give to their customers regarding the risks of effecting securities transactions during times other than during regular trading hours (e.g., higher volatility, possibly lower liquidity) because executions may only occur during regular trading hours on the BSTX System. See e.g., IEX Rule 3.290, Cboe BZX Rule 3.21.

⁹⁰ 15 U.S.C. 78f(b)(5).

proposed Rule 19000 Series (Business Conduct) is substantially similar to supervisory rules of other exchanges.⁹¹

D. Financial and Operational Rules for BSTX Participants (Rule 20000 Series)

The Exchange proposes to adopt as its Rule 20000 Series (Financial and Operational Rules), ten rules relating to financial and operational requirements for BSTX Participants that are substantially similar to financial and operational rules of other exchanges.⁹² The proposed Rule 20000 Series would specify financial and operational requirements with respect to: (i) maintenance and furnishing of books and records;⁹³ (ii) financial reports;⁹⁴ (iii) net capital compliance;⁹⁵ (iv) early warning notifications pursuant to Rule 17a-11 under the Exchange Act (17 CFR 240.17a-11);⁹⁶ (v) authority of the Chief

⁹¹ See supra n.66.

⁹² See Cboe BZX Chapter 6 rules and IEX Chapter 5 rules.

⁹³ Proposed Rule 20000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) requires that BSTX Participants comply with current Exchange Rule 1000 (Maintenance, Retention and Furnishing of Books, Records and Other Information) and that BSTX Participants shall submit to the Exchange order, market and transaction data as the Exchange may specify by Information Circular.

⁹⁴ Proposed Rule 20010 (Financial Reports) provides that BSTX Participants shall comply with the requirements of current Exchange Rule 10020 (Financial Reports).

⁹⁵ Proposed Rule 20020 (Capital Compliance) provides that each BSTX Participant subject to Rule 15c3-1 under the Exchange Act (17 CFR 240.15c3-1) shall comply with such rule and other financial and operational rules contained in the proposed Rule 20000 series.

⁹⁶ Proposed Rule 20030 (“Early Warning” Notification) provides that BSTX Participants subject to the reporting or notifications requirements of Rule 17a-11 under the Exchange Act (17 CFR 240.17a-11) or similar “early warning” requirements imposed by other regulators shall provide the Exchange with certain reports and financial statements).

Regulatory Officer to impose certain restrictions;⁹⁷ (vi) margin;⁹⁸ (vii) day-trading margin;⁹⁹ (viii) customer account information;¹⁰⁰ (ix) maintaining records of customer complaints;¹⁰¹ and (x) disclosure of financial condition.¹⁰²

The Exchange believes that the proposed Rule 20000 (Financial and Operational Rules) Series is consistent with Section 6(b)(5) of the Exchange Act¹⁰³ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by subjecting BSTX Participants to certain recordkeeping, disclosure, and related requirements designed to ensure that BSTX Participants conduct themselves in a financially responsible manner. For example, proposed Rule 20000 would require BSTX Participants to comply with existing Exchange Rule 1000, which sets forth certain

⁹⁷ Proposed Rule 20040 (Power of CRO to Impose Restrictions) generally provides that the Exchange's Chief Regulatory Officer may impose restrictions and conditions on a BSTX Participant subject to the early warning notification requirements under certain circumstances).

⁹⁸ Proposed Rule 20050 (Margin) sets forth the required margin amounts for certain securities held in a customer's margin account.

⁹⁹ Proposed Rule 20060 (Day Trading Margin) sets forth additional requirements with respect to customers that engage in day trading.

¹⁰⁰ Proposed Rule 20070 (Customer Account Information) requires that BSTX Participants comply with FINRA Rule 4512 as if such rule were part of the Exchange Rules and further clarifies certain cross-references within FINRA Rule 4512.

¹⁰¹ Proposed Rule 20080 (Record of Written Customer Complaints) requires that BSTX Participants comply with FINRA Rule 4513 as if such rule were part of the Exchange Rules.

¹⁰² Proposed Rule 20090 (Disclosure of Financial Condition) generally requires that BSTX Participants make available certain information regarding the BSTX Participant's financial condition upon request of a customer.

¹⁰³ 15 U.S.C. 78f(b)(5).

recordkeeping responsibilities and the obligation to furnish these to the Exchange upon request so that the Exchange can appropriately monitor the financial condition of a BSTX Participant and its compliance with applicable regulatory requirements. Similarly, proposed Rule 20050 would set forth the margin requirements that BSTX Participants must retain with respect to customers trading in a margin account to ensure that BSTX Participants are not extending credit to customers in a manner that might put the financial condition of the BSTX Participant in jeopardy. Each of the proposed rules in the Rule 20000 Series (Financial and Operational Rules) is substantially similar to existing rules of other exchanges or incorporates an existing rule of the Exchange or another self-regulatory organization (“SRO”) by reference.

E. Supervision (Rule 21000 Series)

The Exchange proposes to adopt as its Rule 21000 Series (Supervision), six rules relating to certain supervisory requirements for BSTX Participants that are substantially similar to supervisory rules of other exchanges.¹⁰⁴ The Proposed Rule 21000 Series would specify supervisory requirements with respect to: (i) enforcing written procedures to appropriately supervise the BSTX Participant’s conduct and compliance with applicable regulatory requirements;¹⁰⁵ (ii) designation of an individual to carry out written supervisory procedures;¹⁰⁶ (iii) maintenance and keeping of records carrying out

¹⁰⁴ See Cboe BZX Chapter 5 rules. See also IEX Rule 5.150 with respect to proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information).

¹⁰⁵ Proposed Rule 21000 (Written Procedures).

¹⁰⁶ Proposed Rule 21010 (Responsibility of BSTX Participants) would also require that a copy of a BSTX’s written supervisory procedures be kept in each office and makes clear that final responsibility for proper supervision rests with the BSTX Participant.

the BSTX Participant's written supervisory procedures;¹⁰⁷ (iv) review of activities of each of a BSTX Participant's offices, including periodic examination of customer accounts to detect and prevent irregularities or abuses;¹⁰⁸ (v) the prevention of the misuse of material non-public information;¹⁰⁹ and (vi) implementation of an anti-money laundering ("AML") compliance program.¹¹⁰ These rules are designed to ensure that BSTX Participants are able to appropriately supervise their business activities, review and maintain records with respect to such supervision, and enforce specific procedures relating insider-trading and AML.

The Exchange believes that the proposed Rule 21000 (Supervision) Series is consistent with Section 6(b)(5) of the Exchange Act¹¹¹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participant have appropriate supervisory controls in place to carry out their business activities in compliance with applicable regulatory requirements. For example, proposed Rule 21000 (Written Procedures) would require BSTX Participants to enforce

¹⁰⁷ Proposed Rule 21020 (Records).

¹⁰⁸ Proposed Rule 21030 (Review of Activities).

¹⁰⁹ Proposed Rule 21040 (Prevention of the Misuse of Material, Non-Public Information) generally requires BSTX Participants to enforce written procedures designed to prevent misuse of material non-public information and sets forth examples of conduct that would constitute a misuse of material, non-public information.

¹¹⁰ Proposed Rule 21050 (Anti-Money Laundering Compliance Program). The Exchange already has rules with respect to Exchange Participants enforcing an AML compliance program set forth in Exchange Rule 10070 (Anti-Money Laundering Compliance Program), so proposed Rule 21050 specifies that BSTX Participants shall comply with the requirements of that pre-existing rule.

¹¹¹ 15 U.S.C. 78f(b)(5).

written procedures which enable them to supervise the activities of their associated persons and proposed Rule 21010 (Responsibility of BSTX Participants) would require a BSTX Participant to designate a person in each office to carry out written supervisory procedures. Requiring appropriate supervision of a BSTX Participant's business activities and associated persons should help promote compliance with the federal securities laws and other applicable regulatory requirements in furtherance of the protection of investors and the public interest. In addition, each of the rules in the proposed Rule 21000 Series (Supervision) is substantially similar to supervisory rules of other exchanges.¹¹²

F. Miscellaneous Provisions (Rule 22000 Series)

The Exchange proposes to adopt as its Rule 22000 Series (Miscellaneous Provisions), six rules relating to a variety of miscellaneous requirements applicable to BSTX Participants that are substantially similar to rules of other exchanges.¹¹³ These miscellaneous provisions relate to: (i) comparison and settlement requirements;¹¹⁴ (ii) failures to deliver and failures to receive;¹¹⁵ (iii) forwarding of proxy and other issuer-

¹¹² See supra n.104.

¹¹³ See Cboe BZX Chapter 13 rules. See also IEX Rule 6.180 with respect to proposed Rule 22050 (Transactions Involving BOX Employees).

¹¹⁴ Proposed Rule 22000 (Comparison and Settlement Requirements) provides that BSTX Participants that are a member of an Approved Settlement Provider shall implement comparison and settlement procedures as may be required by the Approved Settlement Provider. The proposed rule would further provide that, notwithstanding this general provision, the Board may extend or postpone the time of delivery of a BSTX transaction whenever the Board determines that it is called for by the public interest, just and equitable principles of trade or to address unusual conditions. In such a case, delivery will occur as directed by the Board.

¹¹⁵ Proposed Rule 22010 (Failure to Deliver and Failure to Receive) provides that borrowing and deliveries must be effected in accordance with Rule 203 of

related materials;¹¹⁶ (iv) commissions;¹¹⁷ (v) regulatory services agreements;¹¹⁸ and (vi) transactions involving Exchange employees.¹¹⁹ These rules are designed to capture additional regulatory requirements applicable to BSTX Participants, such as setting forth their obligation to deliver proxy materials at the request of an issuer and to incorporate by reference Rule 200 – 203 of Regulation SHO.¹²⁰

Statutory Basis: The Exchange believes that the proposed Rule 22000 (Miscellaneous Provisions) Series is consistent with Section 6(b)(5) of the Exchange Act¹²¹ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest by ensuring that BSTX Participants comply with additional

Regulation SHO (17 CFR 242.203) and incorporates Rules 200 – 203 of Regulation SHO by reference into the rule (17 CFR §§ 242.200 – 203).

¹¹⁶ Proposed Rule 22020 (Forwarding of Proxy and Other Information; Proxy Voting) generally provides that BSTX Participants shall forward proxy materials when requested by an issuer and sets forth certain conditions and limitations for BSTX Participants to give a proxy to vote stock that is registered in its name.

¹¹⁷ Proposed Rule 22030 (Commissions) provides that the Exchange Rules or practices shall not be construed to allow a BSTX Participant or its associated persons to agree or arrange for the charging of fixed rates commissions for transactions on the Exchange.

¹¹⁸ Proposed Rule 22040 (Regulatory Service Agreement) provides that the Exchange may enter into regulatory services agreements with other SROs to assist in carrying out regulatory functions, but the Exchange shall retain ultimate legal responsibility for, and control of, its SRO responsibilities.

¹¹⁹ Proposed Rule 22040 (Transactions Involving Exchange Employees) sets forth conditions and limitations on a BSTX Participant provide loans or supporting the account of an Exchange employee (e.g., promptly obtaining and implementing an instruction from the employee to provide duplicate account statement to the Exchange) in order to mitigate any potential conflicts of interest that might arise from such a relationship.

¹²⁰ 17 CFR §§ 242.200 – 203.

¹²¹ 15 U.S.C. 78f(b)(5).

regulatory requirements, such as Rule 203 of Regulation SHO¹²² as provided in proposed Rule 22010 (Failure to Deliver and Failure to Receive), in connection with their participation on BSTX. For example, proposed Rule 22030 (Commissions) prohibits BSTX Participants from charging fixed rates of commissions for transactions on the Exchange consistent with Section 6(e)(1) of the Exchange Act.¹²³ Similarly, Proposed Rule 22050 (Transactions involving Exchange Employees) sets forth certain requirements and prohibitions relating to a BSTX Participant providing certain financial services to an Exchange employee, which the Exchange believes helps prevent potentially fraudulent and manipulative acts and practices and furthers the protection of investors and the public interest.

G. Trading Practice Rules (Rule 23000 Series)

Description: The Exchange proposes to adopt as its Rule 23000 Series (Trading Practice Rules), fourteen rules relating to trading practice requirements for BSTX Participants that are substantially similar to trading practice rules of other exchanges.¹²⁴ The proposed Rule 23000 series would specify trading practice requirements related to: (i) market manipulation; (ii) fictitious transactions; (iii) excessive sales by a BSTX Participant; (iv) manipulative transactions; (v) dissemination of false information; (vi) prohibition against trading ahead of customer orders; (vii) joint activity; (viii) influencing data feeds; (ix) trade shredding; (x) best execution; (xi) publication of transactions and changes; (xii) trading ahead of research reports; (xiii) front running of block transactions; and (xiv) a prohibition against disruptive quoting and trading activity. The purpose of the

¹²² 17 CFR §§ 242.203.

¹²³ 15 U.S.C. 78f(e)(1).

¹²⁴ See Cboe BZX Chapter 12 rules.

trading practice rules is to set forth standards and rules relating to the trading conduct of BSTX Participants, primarily with respect to prohibiting forms of market manipulation and specifying certain obligations of broker-dealers have to their customers, such as the duty of best execution. For example, proposed Rule 23000 (Market Manipulation) sets forth a general prohibition against a BSTX Participant executing purchasing a security at successively higher prices or sales of a security at successively lower prices, or to otherwise engage in activity for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security.¹²⁵ Proposed Rule 23010 (Fictitious Transactions) similarly prohibits BSTX Participants from fictitious transaction activity, such as executing a transaction which involves no beneficial change in ownership, and proposed Rule 23020 (Excessive Sales by a BSTX Participant) prohibits a BSTX Participant from executing purchases or sales in any security trading on the Exchange for an account any account in which it has an interest, which are excessive in view of the BSTX Participant's financial resources or in view of the market for such security.¹²⁶

¹²⁵ Proposed Rule 23030 (Manipulative Transactions) specifies further prohibitions relating to potential manipulation by prohibiting BSTX Participants from, among other things, participating or having any direct or indirect interest in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

¹²⁶ Other proposed rules relating to potential manipulation include: (i) Rule 23040 (Dissemination of False Information), which generally prohibits, consistent with Exchange Rule 3080, BSTX Participants from spreading information that is false or misleading; (ii) Rule 23070 (Influencing Data Feeds), which generally prohibits transactions to influence data feeds; (iii) Rule 23080 (Trade Shredding), which generally prohibits conduct that has the intent or effect of splitting any order in multiple smaller orders for the primary purpose of maximizing remuneration to the BSTX participant; (iv) Rule 23110 (Trading Ahead of Research Reports), which generally prohibits BSTX Participants from trading based on non-public advance knowledge of a research report and requires BSTX Participants to enforce policies and procedures to limit information flow from research personnel from trading personnel that might trade on such information;

Proposed Rule 23060 (Joint Activity) prohibits a BSTX Participants from directly or indirectly holding any interest or participation in any joint account for buying or selling a security traded on the Exchange unless reported to the Exchange with certain information provided and proposed Rule 23090 (Best Execution) reaffirms BSTX Participants best execution obligations to their customers.¹²⁷

Proposed Rule 23050 (Prohibition against Trading Ahead of Customer Orders) is substantially similar to FINRA 5320 and rules adopted by other exchanges,¹²⁸ and generally prohibits BSTX Participants from trading ahead of customer orders unless certain enumerated exceptions are available and requires BSTX Participants to have a written methodology in place governing execution priority to ensure compliance with the Rule. The Exchange proposes to adopt each of the exceptions to the prohibition against trading ahead of customer orders as provided in FINRA Rule 5320 other than those that would not apply to the trading of security tokens given the unique nature of certain aspects of BSTX.¹²⁹ For example, because security tokens will only trade on BSTX and

(v) Rule 23120 (Front Running Block Transactions), which incorporates FINRA Rule 5270 as though it were part of the Exchange's Rules; and (vi) Rule 23130 (Disruptive Quoting and Trading Activity Prohibited), which incorporates Exchange Rule 3220 by reference.

¹²⁷ In addition proposed Rule 23100 (Publication of Transactions and Changes) provides that the Exchange will disseminate transaction information to appropriate data feeds, BSTX participants must provide information necessary to facilitate the dissemination of such information, and that an Exchange official shall be responsible for approving corrections to any reports transmitted over data feeds.

¹²⁸ See e.g., Cboe BZX Rule 12.6.

¹²⁹ The exceptions to the general prohibition against trading ahead of customer orders that the Exchange proposes to adopt without revision are the: (i) Large Orders and Institutional Account Exception; (ii) No-Knowledge Exception; and (iii) Bona-Fide Error Exception. See FINRA Rule 5320.01 and .02 *cf.* proposed Rule 23050(c) and (d).

there will consequently be no routing of orders in security tokens to other markets, the Exchange is not adopting the intermarket sweep order (“ISO”) exception.¹³⁰ Similarly, because trading in security tokens must occur on the BSTX System and OTC transactions will generally be restricted pursuant to proposed Rule 17020, the Exchange is not proposing to adopt the exception for riskless principal executions, which necessarily contemplates OTC transactions. For example, the riskless principal exception under FINRA Rule 5320.03 generally allows a broker-dealer holding a customer order in a security to execute a proprietary transaction in that security if it is for the purpose of facilitating that customer order, which the broker-dealer would then sell to the customer in a principal capacity. Because proposed Rule 17020(b) provides that security tokens may not be traded otherwise than on BSTX riskless principal transactions would generally not be possible in security tokens (absent the Exchange providing exemptive relief pursuant to proposed Rule 17020(c)) and customer orders must be executed as agent on the BSTX System.

The Exchange similarly proposes to adopt the order handling guidance set forth in FINRA Rule 5320.07 other than provisions in that guidance that contemplate OTC transactions. Specifically, proposed Rule 23050(g) would provide that a BSTX Participant must make every effort to execute a marketable customer order that it receives fully and promptly. FINRA Rule 5320.07 includes the text of proposed Rule 23050(g), but generally provides in addition that where a broker-dealer has two customer orders that are marketable against each other, that the broker-dealer should make every effort to cross such orders against each other and that this can be satisfied by contemporaneously

¹³⁰ See FINRA Rule 5320.04. Trading on BSTX will be limited to regular trading hours, so the Exchange

buying from the seller and selling to the buyer at the same price. This additional guidance contemplates OTC transactions such as crossing customer orders away from BSTX, which would conflict with proposed Rule 17020(b). Accordingly, the Exchange does not propose to adopt this further guidance from FINRA Rule 5320.07.

In addition, the exchange proposes to adopt a modified version of the exception set forth in FINRA Rule 5320.06 relating to minimum price improvement standards as proposed Rule 23050(f). Under proposed Rule 23050(f), BSTX Participants would be permitted to execute an order on a proprietary basis when holding an unexecuted limit order in that same security without being required to execute the held limit order provided that they give price improvement of \$0.01 to the unexecuted held limit order. While FINRA Rule 5320.06 sets forth alternate, lower price improvement standards for securities priced below \$1, the Exchange proposes to adopt a uniform price improvement requirement of \$0.01 for a securities traded on the BSTX System consistent with the Exchange's proposed uniform minimum price variant of \$0.01 set forth in proposed Rule 25030. However, the Exchange notes that because of the restriction against trading otherwise than on BSTX in proposed Rule 17020(b), the execution of the held limit order would still have to occur on BSTX and could not be done as a principal execution.¹³¹ Accordingly, the minimum price improvement provided by the BSTX Participant to the unexecuted held limit order of at least \$0.01 must result from a transaction on BSTX.¹³²

¹³¹ As previously noted, the Exchange is seeking exemptive relief from the Commission that would permit trading in security tokens to be limited to national securities exchange able to support trading in security tokens. See supra notes 57-58 and accompanying text.

¹³² If it is not possible for a BSTX Participant to effect a trade on BSTX to achieve price improvement of \$0.01, the BSTX Participant could rebate or otherwise

Finally, the Exchange proposes to adopt an exception for bona fide error transactions as proposed Rule 25030(e) which would allow a BSTX Participant to trade ahead of a customer order if the trade is to correct a bona fide error, as defined in the rule. This proposed exception is nearly identical to similar exceptions of other exchanges¹³³ except other exchange rules also provide an exception whereby a firm may submit a proprietary order ahead of a customer order to offset a customer order that is in an amount than a round lot (i.e., 100 shares). The Exchange is not adopting an exception for odd-lot orders under these circumstances because the minimum unit of trading for security tokens pursuant to proposed Rule 25020 is one security token. The Exchange believes that there may be a notable amount of trading in amounts of less than 100 security tokens (i.e., trading in odd-lot amounts), and the Exchange accordingly does not believe that it is appropriate to allow BSTX Participants to trade ahead of customer orders just to offset an odd-lot customer order.

The Exchange believes that the proposed Rule 23000 Series relating to trading practice rules is consistent with Section 6(b)(5) of the Exchange Act¹³⁴ because these proposed rules are designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade. The proposed rules in the Rule 23000 Series are substantially similar to the rules of other exchanges and generally include variety of prohibitions against types of trading activity or other conduct that could potentially be manipulative, such as a prohibition against market manipulation, fictitious

compensate the customer to provide price improvement with respect to that order under proposed Rule 23050(g).

¹³³ See e.g., Cboe BZX Rule 12.5.05.

¹³⁴ 15 U.S.C. 78f(b)(5).

transactions, and the dissemination of false information. The Exchange has proposed to exclude certain provisions from, or make certain modifications to, comparable rules of other SROs, as detailed above, in order to account for certain unique aspects related to security token such as that security tokens may only trade on BSTX. For example, the Exchange has declined to adopt an exception to the general prohibition against trading ahead of customer order for riskless principal executions because a riskless principal execution necessarily contemplates an off-exchange transaction. The Exchange believes that it is consistent with applicable requirements under the Exchange Act to exclude these provisions and exceptions because they would set forth rules that would not apply to BSTX Participants trading in security tokens are not necessary for the Exchange to carry out its functions of facilitating security token transactions regulating BSTX Participants.

H. Disciplinary Rules (Rule 24000 Series)

With respect to disciplinary matters, the Exchange proposes to adopt Rule 24000 (Discipline and Summary Suspension), which provides that the provisions of the Exchange Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System. The Exchange already has a rules pertaining to discipline and suspension of Exchange Participants that it proposes to extend to BSTX Participants and trading on the BSTX System. The Exchange also proposes to adopt as Rule 24010 a minor rule violation plan with respect to transactions on BSTX.¹³⁵

¹³⁵ The proposed additions to the Exchange's minor rule violation plan pursuant to proposed Rule 25010 are discussed below in Section V.

Proposed Rule 24000 incorporates by reference existing rules that have already been approved by the Commission.

I. Trading Rules and the BSTX System (Rule 25000 Series)

1. Rule 25000 – Access to and Conduct on the BSTX Marketplace)

The Exchange proposes to adopt Rule 25000 (Access to and Conduct on the BSTX Marketplace) to set forth rules relating to access to the BSTX System and certain conduct requirements applicable to BSTX Participants. Specifically, proposed Rule 25000 provides that only BSTX Participants, including their associated persons, that are approved for trading on the BSTX System shall effect any transaction on the BSTX System. Proposed Rule 25000(b) generally requires that a BSTX Participant maintain a list of authorized traders that may obtain access to the BSTX System on behalf of the BSTX Participant, have procedures in place reasonably designed to ensure that all authorized traders comply with Exchange Rules and to prevent unauthorized access to the BSTX System, and to provide the list of authorized traders to the Exchange upon request. Proposed Rule 25000(c) and (d) restates provisions that are already set forth in Exchange Rule 7000, generally providing that BSX Participants shall not engage in conduct that is inconsistent with the maintenance of a fair and orderly market or the ordinary and efficient conduct of business, as well as conduct that is likely to impair public confidence in the operations of the Exchange. Examples of such prohibited conduct include failure to abide by a determination of the Exchange, refusal to provide information requested by the Exchange, and failure to adequately supervise employees. Proposed Rule 25000(f)

provides the Exchange with authority to suspend or terminate access to the BSTX System under certain circumstances.

The Exchange believes that proposed Rule 25000 is consistent with Section 6(b)(5) of the Exchange Act¹³⁶ because it is designed to protect investors and the public interest and promote just and equitable principles of trade by ensuring that BSTX Participants do not allow for unauthorized access to the BSTX System and do not engage in conduct detrimental to the maintenance of fair and orderly markets.

2. Rule 25010 – Days/Hours

Proposed Rule 25010 sets forth the days and hours during which BSTX will be open for business and during which transactions may be effected on the BSTX System. Under the proposed rule, transactions may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time. The proposed rule also specifies certain holidays BSTX will be not be open (e.g., New Year’s Day) and provides that the Chief Executive Officer, President, or Chief Regulatory Officer of the exchange, or such person’s designee who is a senior officer of the Exchange, shall have the power to halt or suspend trading in any security tokens, close some or all of BSTX’s facilities, and determine the duration of any such halt, suspension, or closing, when such person deems the action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

The Exchange believes that proposed Rule 25010 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,¹³⁷ by setting

¹³⁶ 15 U.S.C. 78f(b)(5).

¹³⁷ 15 U.S.C. 78f(b)(5).

forth the days and hours that trades may be effected on the BSTX System and by providing officers of the Exchange with the authority to halt or suspend trading when such officers believe that such action is necessary or appropriate to maintain fair and orderly markets or to protect investors or in the public interest.

3. Rule 25020 – Units of Trading

Proposed Rule 25020 sets forth the minimum unit of trading on the BSTX System, which shall be one security token. The Exchange believes that proposed Rule 25020 is consistent with Section 6(b)(5) of the Exchange Act¹³⁸ because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum unit of trading of security tokens on the BSTX System. In addition, other exchanges similarly provide that the minimum unit of trading is one share for their market and/or for certain securities.¹³⁹

4. Rule 25030 – Minimum Price Variant

Proposed Rule 25030 provides the minimum price variant for security tokens shall be \$0.01. The Exchange believes that proposed Rule 25030 is consistent with Section 6(b)(5) of the Exchange Act because it fosters cooperation and coordination of persons engaged in facilitating transactions in securities by specifying the minimum price variant for security tokens and promotes compliance with Rule 612 of Regulation NMS.¹⁴⁰ Under Rule 612 of Regulation NMS, the Exchange is, among other things, prohibited from displaying, ranking or accepting from any person a bid or offer or order in an NMS stock in an increment smaller than \$0.01 if that bid or offer or order is priced

¹³⁸ 15 U.S.C. 78f(b)(5).

¹³⁹ See e.g., IEX Rule 11.180.

¹⁴⁰ 17 CFR 242.611.

equal to or greater than \$1.00 per share. Where a bid or offer or order is priced less than or equal to \$1.00 per share, the minimum acceptable increment is \$0.0001. Proposed Rule 25030 sets a uniform minimum price variant for all security of \$0.01 irrespective of whether the security token is trading below \$1.00.

5. Rule 25040 – Opening the Marketplace

Proposed Rule 25040 sets forth the opening process for the BSTX System, allowing for order entry to commence at 8:30 a.m. ET during the Pre-Opening Phase. The proposed rule provides that orders will not execute during the Pre-Opening Phase, which lasts until regular trading hours begins at 9:30 a.m. ET.¹⁴¹ Similar to how the Exchange's opening process works for options trading, BSTX will disseminate a theoretical opening price ("TOP") to BSTX Participants, which is the price at which the opening match would occur at a given moment in time.¹⁴² Under the proposed rule, the quantity that would match at the TOP is also disseminated to BSTX Participants along with the total quantity of any orders which are at a better price (i.e., bid higher or offer lower) than the TOP, and the TOP is recalculated and disseminated every time a new order is received or canceled and where such event causes the TOP price or quantity to change.

With respect to priority during the opening match, consistent with proposed Rule 25080 (Execution and Price/Time Priority), among multiple orders at the same price,

¹⁴¹ As a result, order marked IOC submitted during the Pre-Opening Phased will be rejected by the BSTX System. See Proposed Rule 25040(g).

¹⁴² The TOP can only be calculated where the BSTX Book is crossed during the Pre-Opening Phase. See Proposed Rule 25040(b).

execution priority during the opening match is determined based on the time the order was received by the BSTX System.

Consistent with the manner in which the Exchange opens options trading, the BSTX System will determine a single price at which a particular security token will be opened by calculating the optimum number of security tokens that could be matched at a price, taking into consideration all the orders on the BSTX Book.¹⁴³ The proposed rule provides that the opening match price is the price which result in the matching of the highest number of security tokens. If two or more prices would satisfy this maximum quantity criteria, the price leaving the fewest resting security tokens in the BSTX Book will be selected at the opening price and where two or more prices would satisfy the maximum quantity criteria and leave the fewest security tokens in the BSTX Book, the price closest to the previous day's closing price will be selected. Unexecuted trading interest during the opening match will move to the BSTX Book and will preserve price time priority.

With respect to new security tokens that have not previously traded on BSTX, the opening price will be the price assigned to the security token by BSTX, referred to as the "reference price."¹⁴⁴ BSTX will work with issuers of new security tokens and their underwriters to determine the appropriate reference price for such security tokens first day of trading.

Where the BSTX System cannot determine an opening price of a security token at the start of regular trading hours, BSTX will nevertheless open the security token for

¹⁴³ Proposed Rule 25040(d)(2).

¹⁴⁴ Proposed Rule 25040(d)(2)(iii).

trading and move all trading interest received during the Pre-Opening Phase to the BSTX Book.

Consistent with Section 6(b)(5) of the Exchange Act,¹⁴⁵ the Exchange believes that the proposed process for opening trading in security tokens will promote just and equitable principles of trade and will help perfect the mechanism of a free and open market by establishing a uniform process to determine the opening price of security tokens. Proposed Rule 25040 provides a mechanism by which BSTX Participants may submit orders in advance of the start of regular trading hours, perform an opening cross, and commence regular hours trading in security tokens. Where an opening cross is not possible, the Exchange will proceed by opening regular hours trading in the security token anyway, which is consistent with the manner in which other exchanges open trading in securities.¹⁴⁶ With respect to initial public offerings of security tokens, BSTX proposes to use a predetermined reference price to initiate trading in the security token. There are a variety of different ways in which an exchange can open trading in securities, including with respect to initial public offerings, and the Exchange believes that proposed Rule 25040 provides a simple and clear method for opening transactions that is consistent with the protection of investors and the public interest. Additionally, proposed Rule 25040 applies to all BSTX Participants in the same manner and is therefore not designed to permit unfair discrimination among BSTX Participants.

6. Rule 25050 – Trading Halts

¹⁴⁵ 15 U.S.C. 78f(b)(5).

¹⁴⁶ See e.g., BOX Rule 7070.

BSTX proposes to adopt rules relating to trading halts that are substantially similar to other exchange rules adopted in connection with the NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”). BSTX is not joining the LULD plan given that security tokens will only be eligible for trading on BSTX. As a result, rules relating to the LULD Plan, routing of orders, and other rules contemplated by the LULD Plan have been omitted from the proposed rules. Below is an explanation of BSTX’s approach to certain categories of orders during a trading halt:

- Short Sales – BSTX cancels all orders on the book during a halt and rejects any new orders, so rules relating to the repricing of short sale orders during a trading halt have been omitted.
- Pegged Orders -- BSTX will not support pegged orders, at least initially, so rules relating to pegged orders during a trading halt have been omitted.
- Routable Orders – Because BSTX will be the only exchange for trading security tokens, rules relating to handling of routable orders during a trading halt have been omitted
- Limit Orders – Because BSTX will cancel resting order interest and reject incoming orders during a trading halt, specific rules relating to the repricing of limit-priced interest (BZX Rule 11.18(e)(5)(B) have been omitted.
- Auction Orders, Market Orders, FOK Orders, and IOC Orders – BSTX will not support these order types, at least initially, so rules relating to these order types during a trading halt have been omitted.

BSTX is not joining the LULD plan given that security tokens will only be eligible for trading on BSTX, and therefore believes that it is not necessary to join a plan

designed for intermarket coordination relating to trading halts at this time. Nevertheless, BSTX believes that it is in the public interest and furthers the protection of investors, consistent with Section 6(b)(5) of the Exchange Act¹⁴⁷ to provide for a mechanism to halt trading in security tokens during periods of extraordinary market volatility. The Exchange has excluded rules relating to order types and other aspects of the LULD Plan that will not be supported by the Exchange, such as market orders and auction orders. The Exchange has also reserved the right in proposed Rule 25050(e) to halt or suspend trading in other circumstances where the Exchange deems it necessary to do so for the protection of investors and in the furtherance of the public interest.

The Exchange believes that canceling resting order interest during a trading halt and rejecting incoming orders received during the trading halt is consistent with Section 6(b)(5) of the Exchange Act because it is not designed to permit unfair discrimination among BSTX Participants. The orders and trading interest of all BSTX Participants would be canceled in the event of a trading halt and each BSTX Participant would be required to resubmit any orders they had resting on the order book.

7. Rule 25060 – Order Entry

Proposed Rule 25060 sets forth the manner in which BSTX Participants may enter orders to the BSTX System. The BSTX System will initially only support limit orders. Orders that do not designate a limit price will be rejected.¹⁴⁸ The BSTX System will also only support two time-in-force (“TIF”) designations initially: (i) DAY; and (ii) immediate or cancel (“IOC”). DAY orders will queue during the Pre-Opening Phase,

¹⁴⁷ 15 U.S.C. 78f(b)(5).

¹⁴⁸ Proposed Rule 25060(c)(1).

may trade during regular market hours, and, if unexecuted at the close of the trading day (4:00 p.m. ET), are canceled by the BSTX System.¹⁴⁹ All orders are given a default TIF of DAY. BSTX Participants may also designate orders as IOC, which designation overrides the default TIF of DAY. IOC orders are not accepted by the BSTX System during the Pre-Opening Phase. During regular trading hours, IOC orders will execute in whole or in part immediately upon receipt by the BSTX System. The BSTX System will not support modification of resting orders. To change the price or quantity of an order resting on the BSTX Book, a BSTX Participant must cancel the resting order and submit a new order, which will result in a new time stamp for purposes of BSTX Book priority. In addition, all orders on BSTX will be displayed, and the BSTX System will not support hidden orders or undisplayed liquidity, as set forth in proposed Rule 25100.

Consistent with Section 6(b)(5) of the Exchange Act,¹⁵⁰ the Exchange believes that the proposed order entry rules will promote just and equitable principles of trade and help perfect the mechanism of a free and open market by establishing the types of orders and modifiers that all BSTX Participants may use in entering orders to the BSTX System. Because these order types and TIFs are available to all BSTX Participants, the proposed rule does not unfairly discriminate among market participants, consistent with Section 6(b)(5) of the Exchange Act. The proposed rule sets forth a very simple exchange model whereby there is only one order type—limit orders—and two TIFs. There will be no hidden orders, price sliding, pegged orders, or other order type features that add some amount of complexity upon the initial launch of BSTX. The Exchange believes that

¹⁴⁹ Proposed Rule 25060(d)(1).

¹⁵⁰ 15 U.S.C. 78f(b)(5).

creating a simplified exchange model is designed to protect investors and is in the public interest because it reduces complexity, thereby helping market participants better understand how orders will operate on the BSTX System. As previously noted, security tokens will only trade on BSTX. Consequently, there is no need for ISO orders, which are used to sweep better-priced away orders on other markets.

8. Rule 25070 – Audit Trail

Proposed Rule 25070 (Audit Trail) is designed to ensure that BSTX Participants provide the Exchange with information to be able to identify the source of a particular order and other information necessary to carry out the Exchange's oversight functions. The proposed rule is substantially similar to existing BOX Rule 7120, but eliminates certain information unique to orders for options contracts (e.g., exercise price) because security tokens are equity securities. The proposed rule also provides that BSTX Participants that employ an electronic order routing or order management system that complies with Exchange requirements will be deemed to comply with the Rule if the required information is recorded in an electronic format. The proposed rule also specifies that order information must be kept for no less than three years and that where specific customer or account number information is not provided to the Exchange, BSTX Participants must maintain such information on their books and records.

The Exchange believes that proposed Rule 25070 is designed to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act,¹⁵¹ because it will provide the Exchange with information necessary to carry out its oversight role. Without being able to identify the source and terms of a particular order, the Exchange's

¹⁵¹ 15 U.S.C. 78f(b)(5).

ability to adequately surveil its market, with or through another self-regulatory organization, for trading inconsistent with applicable regulatory requirements would be impeded. In order to promote compliance with Rule 201 of Regulation SHO, proposed Rule 25080(b)(3) provides that when a short sale price test restriction is in effect, the execution price of the short sale order must be higher than (i.e., above) the best bid, unless the sell order is marked “short exempt” pursuant to Regulation SHO.

9. Rule 25080 – Execution and Price Time Priority

Proposed Rule 25080 governs the execution of orders on the BSTX System, providing a price-time priority model. The proposed rule provides that orders of BSTX Participants shall be ranked and maintained in the BSTX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry. The proposed rule further provides that sell orders may not execute a price below the best bid in the marketplace and buy orders cannot execute at a price above the best offer in the marketplace.

The Exchange believes that proposed Rule 25080 is consistent with Section 6(b)(5) of the Exchange Act¹⁵² because it is designed to promote just and equitable principles of trade and foster cooperation and coordination with persons facilitating transactions in securities by setting forth the order execution priority scheme for security token transactions. Numerous other exchanges similarly operate a price-time priority structure for effecting transactions. The proposed rule also does not permit unfair discrimination among BSTX Participants because all BSTX Participants are subject to the same price-time priority structure. In addition, the Exchange believes that specifying in proposed Rule 25080(b)(3) that execution of short sale orders when a short sale price

¹⁵² 15 U.S.C. 78f(b)(5).

test restriction is in effect must occur at a price above the best bid unless the order is market “short exempt,” is consistent with the Exchange Act because it is intended promote compliance with Regulation SHO in furtherance of the protection of investors and the public interest.

10. Rule 25090 – BSTX Risk Controls

Proposed Rule 25090 sets forth certain risk controls applicable to orders submitted to the BSTX System. The proposed risk controls are designed to prevent the submission and execution of potentially erroneous orders. Under the proposed rule, the BSTX System will reject orders that exceed a maximum order size, as designated by each BSTX Participant. The Exchange, however may set default values for this control. The proposed rule also provides a means by which all of a BSTX’s participant’s orders will be canceled in the event that the BSTX Participant loses its connection to the BSTX System. Proposed Rule 25090(c) provides a risk control that prevents incoming limit orders from being accepted by the BSTX System if the order’s price is more than a designated percentage away from the prevailing best bid or offer in the marketplace. Proposed Rule 25090(d) provides a maximum order rate control whereby the BSTX System will reject an incoming order if the rate of orders received by the BSTX System exceeds a designated threshold. With respect to both of these risk controls (price protection for limit orders and maximum order rate), BSTX Participants may designate the appropriate thresholds, but the Exchange may also provide default values and mandatory minimum levels.

The Exchange believes the proposed risk controls in Rule 25090 are consistent with Section 6(b)(5) of the Exchange Act¹⁵³ because they are designed to help prevent the execution of potentially erroneous orders which furthers the protection of investors and the public interest. Among other things, erroneous orders can be disruptive to the operation of an exchange marketplace, can lead to temporary price dislocations, and can hinder price formation. The Exchange believes that offering configurable risk controls to BSTX Participants, along with default values where a BSTX Participant has not designated its desired controls, will protect investors by reducing the number of erroneous executions on the BSTX System and will remove impediments to and perfect the mechanism of a free and open market system. The proposed risk controls are also similar to existing risk controls provided by the Exchange to Options Participants.

11. Rule 25100 – Trade Execution, Reporting, and Dissemination of Quotations

Proposed Rule 25100 provides that the exchange shall collect and disseminate last sale information for transactions executed on the BSTX system. The proposed rule further provides that the aggregate of the best-ranked non-marketable Limit Order(s), pursuant to Rule 25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination. The Exchange is establishing a transaction reporting plan that would govern the collection and dissemination of quotation information and transaction reports for security tokens. Proposed Rule 25100 further provides that the BSTX System will operate as an “automated market center” within the meaning of Regulation NMS and will display “automated quotations” at all times except in the event of a system

¹⁵³ 15 U.S.C. 78f(b)(5).

malfunction.¹⁵⁴ The Exchange will disseminate last sale and quotation information pursuant to a new transaction reporting plan pursuant to Section 11A of the Exchange Act.¹⁵⁵ BSTX Participants may obtain access to this information through the securities information processor.

The Exchange believes that proposed Rule 25100 is consistent with Section 6(b)(5) of the Exchange Act¹⁵⁶ because it will foster cooperation and coordination with persons processing information with respect to, and facilitating transactions in securities by requiring the Exchange to collect and disseminate quotation and last sale transaction information to market participants. BSTX Participants will need last sale and quotation information to effectively trade on the BSTX System, and proposed Rule 25100 sets forth the requirement for the Exchange to provide this information as well as the information to be provided. The proposed rule is similar to rules of other exchanges relating to the dissemination of last sale and quotation information, but omits certain provisions, such as identifying trades executed pursuant to an exception or exemption from Rule 611 of

¹⁵⁴ 17 CFR 242.600(b)(4) and (5). The general purpose of an exchange being deemed an “automated trading center” displaying “automated quotations” relates to whether or not an exchange’s quotations may be considered protected under Regulation NMS. *See* Exchange Act Release No. 51808, 70 FR 37495, 37520 (June 29, 2005). Other trading centers may not effect transactions that would trade through a protected quotation of another trading center. Because security tokens will initially only trade on BSTX, there will be no other trading centers that could trade through the prevailing best bid or offer on the BSTX System. Nevertheless, the Exchange believes that it is useful to specify that it will operate as an automated trading center at this time to make clear to market participants that it is not operating a manual market with respect to security tokens.

¹⁵⁵ 15 U.S.C. 78k-1.

¹⁵⁶ 15 U.S.C. 78f(b)(5).

Regulation NMS,¹⁵⁷ because such provisions are not necessary given that security tokens will only trade on BSTX.

12. Rule 25110 – Clearly Erroneous

Proposed Rule 25110 sets forth the manner in which BSTX will resolve clearly erroneous executions that might occur on the BSTX System and is substantially similar to comparable clearly erroneous rules on other exchanges. Under proposed Rule 25100, transactions that involve an obvious error such as price or quantity, may be canceled after review and a determination by an officer of BSTX or such other employee designee of BSTX (“Official”).¹⁵⁸ BSTX Participants that believe they submitted an order erroneously to the Exchange may request a review of the transaction, and must do so within thirty (30) minutes of execution and provide certain information, including the factual basis for believing that the trade is clearly erroneous, to the Official.¹⁵⁹ Under proposed Rule 25100(c), an Official may determine that a transaction is clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the “Reference Price”¹⁶⁰ by an amount that equals or exceeds specified

¹⁵⁷ See e.g., IEX Rule 11.240(b).

¹⁵⁸ A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from all relevant data feeds disseminating last sale information for security token transactions. Proposed Rule 25110(a).

¹⁵⁹ Proposed Rule 25110(b). The Official may also consider certain “outlier” transactions on a case by case basis where the request for review is submitted after 30 minutes but no longer than sixty (60) minutes after the transaction. Proposed Rule 2511(d).

¹⁶⁰ The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for in circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly

“Numerical Guidelines.”¹⁶¹ The Official may consider additional factors in determining whether a transaction is clearly erroneous, such as whether trading in the security had recently halted or overall market conditions.¹⁶² Similar to other exchanges clearly erroneous rules, the Exchange may determine that trades are clearly erroneous in certain circumstances such as during a system disruption or malfunction, on a BSTX Officer’s (or senior employee designee) own motion, during a trading halt, or with respect to a series of transactions over multiple days.¹⁶³ Under proposed Rule 25110(e)(2), BSTX Participants affected by a determination by an Official may appeal this decision to the Chief Regulatory Officer of BSTX, provided such appeal is made within thirty (30) minutes after the party making the appeal is given notice of the initial determination being appealed.¹⁶⁴ The Chief Regulatory Officer’s determination shall constitute final action by the Exchange on the matter at issue pursuant to proposed Rule 25110(e)(2)(ii).

market and the protection of investors and the public interest. Proposed Rule 25110(c)(1).

¹⁶¹ The proposed Numerical Guidelines are 10% where the Reference Price ranges from \$0.00 to \$25.00, 5% where the Reference Price is greater than \$25.00 up to and including \$50.00, and 3% where the Reference Price ranges is greater than \$50. Proposed Rule 25110(c)(2).

¹⁶² Proposed Rule 25110(c)(1).

¹⁶³ See proposed Rule 25110(f) – (i). These provisions are virtually identical to similar provisions of other exchanges’ clearly erroneous rules other than by making certain administrative edits (e.g., replacing the term “security” with “security token”).

¹⁶⁴ Determinations by an Official pursuant to proposed Rule 25110(f) relating to system disruptions or malfunctions may not be appealed if the Official made a determination that the nullification of transactions was necessary for the maintenance of a fair and orderly market or the protection of invests and the public interest. Proposed Rule 25110(d)(2).

The Exchange believes that proposed Rule 25110 is consistent with Section 6(b)(5) of the Exchange Act,¹⁶⁵ because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system by setting forth the process by which clearly erroneous trades on the BSTX System may be identified and remedied. Proposed Rule 25110 would apply equally to all BSTX Participants and is therefore not designed to permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act.¹⁶⁶ The proposed rule is substantially similar to the clearly erroneous rules of other exchanges,¹⁶⁷ with certain exceptions to address the fact BSTX will only trade security tokens and such security tokens will only trade on BSTX. For example, proposed Rule 25110 does not include provisions related to clearly erroneous transactions for routed orders because orders for security tokens will not route to other exchanges.¹⁶⁸ Security tokens will also only trade during regular trading hours (i.e., 9:30 a.m. ET to 4:00 p.m. ET), so provisions from comparable exchange rules relating to clearly erroneous executions occurring outside of regular trading hours have been excluded.

¹⁶⁵ 15 U.S.C. 78f(b)(5).

¹⁶⁶ Id.

¹⁶⁷ See e.g., Cboe BZX Rule 11.17. Similar to other exchanges' comparable rules, proposed Rule 25110 provides BSTX with the ability to determine clearly erroneous trades that result from a system disruption or malfunction, a BSTX Official acting on his or her own motion, trading halts, and for multi-day trading events.

¹⁶⁸ Other exchange clearly erroneous rules reference removing trades from the Consolidated Tape. Because security token transactions will be reported pursuant to a separate transaction reporting plan, proposed Rule 25110 eliminates references to the "Consolidated Tape" and provides that clearly erroneous security token transactions will be removed from "all relevant data feeds disseminating last sale information for security token transactions." See proposed Rule 25110(a).

Proposed Rule 25110 also excludes provisions from comparable clearly erroneous rules of other exchanges relating to clearly erroneous executions in: (i) Leverage ETF/ETNs; (ii) unlisted trading privileges securities that are subject to an initial public offering; and (iii) securities subject to the National Market System Plan to address extraordinary market volatility. These provisions have been excluded because BSTX will not support trading of these securities so the provisions are unnecessary. In addition, proposed Rule 25110 also excludes the provision from comparable clearly erroneous rules of other exchanges relating to multi-stock events involving 20 or more securities and the specific numerical thresholds applicable to multi-stock events. The Exchange believes it is not necessary to include rules relating to multi-stock events because security tokens will only trade on BSTX and the clearly erroneous provisions for single security token events are sufficient to address clearly erroneous transactions in security tokens.¹⁶⁹ The Exchange believes that not including the aforementioned provisions in proposed Rule 25110 will provide clarity to the BSTX Rulebook, in furtherance of the protection of investors and the public interest which benefit from clear rules, by excluding items that do not apply to the trading of security tokens.

The Exchange believes that its proposed process for BSTX Participants to appeal clearly erroneous execution determinations made by an Exchange Official pursuant to proposed Rule 25110 to the Chief Regulatory Officer of BSTX is consistent with Section 6(b)(5) of the Exchange Act¹⁷⁰ because it promotes just and equitable principles of trade

¹⁶⁹ Provisions from other comparable exchange rules relating to clearly erroneous executions relating to multi-stock events also contemplate coordination with other market centers trading those securities, which would not be necessary with respect to security tokens because they will only trade on BSTX.

¹⁷⁰ 15 U.S.C. 78f(b)(5).

and fosters cooperation and coordination with persons regulating, settling, and facilitating transactions in securities by providing a clear and expedient process to appeal determinations made by an Official. BSTX Participants benefit from having a quick resolution to potentially clearly erroneous executions and giving the Chief Regulatory Officer discretion to decide any appeals of an Official's determination provides an efficient means to resolve potential appeals that applies equally to all BSTX Participants and therefore does not permit unfair discrimination among BSTX Participants, consistent with Section 6(b)(5) of the Exchange Act. The Exchange notes that, with respect to options trading on the Exchange, the Exchange's Chief Regulatory Officer similarly has sole authority to overturn or modify obvious error determinations made by an Exchange Official and that such determination constitutes final Exchange action on the matter at issue.¹⁷¹ In addition, proposed Rule 25110(e)(2)(iii) provides that any determination made by an Official or the Chief Regulatory Officer of BSTX under proposed Rule 25110 shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration. Accordingly, there is an additional safeguard in place for BSTX Participants to seek further review of the Exchange's clearly erroneous determination.

To the extent security tokens become tradeable on other national securities exchanges or other changes arise that may necessitate changes to proposed Rule 25110 to conform more closely with the clearly erroneous execution rules of other exchanges, the Exchange intends to implement changes as necessary through a proposed rule change

¹⁷¹ See BOX Rule 7170(n).

filed with the Commission pursuant to Section 19 of the Exchange Act¹⁷² at such future date.

13. Rule 25120 – Short Sales

Proposed Rule 25120 sets forth certain requirements with respect to short sale orders submitted to the BSTX System that is virtually identical to similar rules on other exchanges.¹⁷³ Specifically, proposed Rule 25120 requires BSTX Participants to appropriately mark orders as long, short, or short exempt and provides that the BSTX System will not execute or display a short sale order not marked short exempt with respect to a “covered security”¹⁷⁴ at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security’s closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”). The proposed rule further specifies that the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.¹⁷⁵

¹⁷² 15 U.S.C. 78s.

¹⁷³ See e.g., IEX Rule 11.290.

¹⁷⁴ Proposed Rule 25120(b) provides that the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO. 17 CFR. 242.201(a).

¹⁷⁵ Proposed Rule 25120(d). The proposed rule further provides in paragraph (d)(1) that if a covered security did not trade on BSTX on the prior trading day, BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that security token on the most recent day on which the security token traded.

The Exchange believes that proposed Rule 25120 is consistent with Section 6(b)(5) of the Exchange Act,¹⁷⁶ because it would promote just and equitable principles of trade and further the protection of investors and the public interest by enforcing rules consistent with Regulation SHO. Pursuant to Regulation SHO, broker-dealers are required to appropriately mark orders as long, short, or short exempt,¹⁷⁷ and trading centers are required to establish, maintain, and enforce written policies and procedures reasonably designed to, among other things, prevent the execution or display of a short sale order of a covered security at a price that is less than or equal to the current national best bid if the price of that covered security decreases by 10% or more from its closing price on the primary listing market on the prior day.¹⁷⁸ Proposed Rule 25120 is designed to promote compliance with Regulation SHO, is nearly identical to similar rules of other exchanges, and would apply equally to all BSTX Participants.

J. Market Making on BSTX (Rule 25200 Series)

The BSTX Market Making Rules (Rules 25200 – 25240) provide for registration and describe the obligations of Market Makers on the Exchange. The Market Making Rules also provide for registration and obligations of Designated Market Makers (DMMs) in a given security token, allocation of a DMM to a particular security token, and parameters for business combinations of DMMs.

BSTX Participants are required to post two-sided quotes during the regular market session, with some exceptions, for each security token in which a Participant is registered as a Market Maker. Such quotes must be entered within a certain percentage,

¹⁷⁶ 15 U.S.C. 78f(b)(5).

¹⁷⁷ 17 CFR 242.200(g).

¹⁷⁸ 17 CFR 242.201(b)(1).

called the “Designated Percentage,” of the best bid and best offer price in such security token (or last sale price, as applicable) on the Exchange. In the event that the price movements cause a Market Maker’s quote to fall outside a given percentage of the best bid or best offer price, called the “Defined Limit,” in such security token (or last sale price, as applicable), the Market Maker must enter a new bid or offer at not more than the Designated Percentage away from the prevailing best bid and/or best offer price in such security token. The foregoing Market Maker obligations operate in a substantially similar manner to the Market Maker and DMM obligations provided in the NYSE Arca Rules, except as noted below.

A DMM must be a registered Market Maker and meet certain other criteria to be approved as the sole DMM for a given security token. For security tokens in which a Participant serves as a DMM, it must meet the same obligations as if it were a Market Maker and must also maintain a bid or offer inside the Exchange’s best bid and offer at least 25% of the day measured across all security tokens in which such Participant serves as DMM. The foregoing DMM obligations operate in a substantially similar manner to the Market Maker and DMM obligations provided in the NYSE Arca Rules, except as noted below.

The Market Making Rules describe the process for allocating a security token to a DMM. An issuer may interview potential DMMs or allow the Exchange to select a DMM for a given security token. The allocation rules are substantially similar to NYSE Arca’s Rule 7.25E, except for a small number of differences noted below. In addition, the Market Making Rules provide parameters for DMM combinations and are substantially similar to NYSE Arca’s Rule 7.26E.

BSTX's Market Maker Rules are generally consistent in substance with already existing IEX and NYSE Arca Rules. Drafting rules in a manner consistent with other national securities exchanges can assist market participants and regulators, who may have experience with the already-existing rules of other exchanges, in interpreting and ensuring compliance with such rules, which fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁷⁹

The Exchange has included provisions in its rule that ensure that the Exchange and its Participants comply with net capital requirements in SEC Rule 15c3-1,¹⁸⁰ firm quote requirements in Regulation NMS Rule 602(b),¹⁸¹ and rules against displaying locked and crossed quotes in Regulation NMS Rule 610(d).¹⁸² Consistent with Section 6(b)(5) of the Exchange Act,¹⁸³ the Exchange believes that ensuring compliance with SEC Rules promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and can result in the protection of investors and the public interest.

Clarifications in the Rules described above to conform the market making rules to other provisions of the BSTX Rules help market participants to properly interpret the

¹⁷⁹ 15 U.S.C. 78f(b)(5).

¹⁸⁰ 17 CFR 240.15c3-1.

¹⁸¹ 17 CFR 242.602(b).

¹⁸² 17 CFR 242.610(d).

¹⁸³ 15 U.S.C. 78f(b)(5)

rules of the Exchange. The Exchange believes that facilitating interpretation of its rules and allowing market participants to better understand its Rules removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁴

To the extent the Exchange has the ability to review and make a conclusion on a prospective Market Maker's application to become a Market Maker Participant, it will do so expeditiously. By decreasing administrative delays for Participants who want to act as Market Makers, the Exchange believes that it removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁵

While the source rules from NYSE Arca provided for multiple tiers and classes of stocks that were each associated with a different Designated Percentage and Defined Limit, the Exchange has collapsed all such classes in to one category and provided a single Designated Percentage and Defined Limit for all security token trading on BSTX. The Exchange believes that simplifying the Rules in this manner can reduce the potential for confusion and allows for easier compliance, serving to remove impediments to and perfecting the mechanism of a free and open market and a national market system; such

¹⁸⁴ 15 U.S.C. 78f(b)(5).

¹⁸⁵ 15 U.S.C. 78f(b)(5).

simplification may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁶

K. BSTX Listing Rules (Rule 26000 Series)

The BSTX Listing Rules, which include the 26000 and 27000, and 28000 rule series, have been adapted from, and are substantially similar to, Parts 1 – 12 of the NYSE American LLC Company Guide and BSTX Rules 15.1 and 15.2. Except as described below, every single Rule in the BSTX 26000 and 27000 series is substantially identical to a Section of the NYSE American Original Listing Requirements, and the BSTX 28000 series is substantially identical to BZX Rules 15.1 and 15.2.¹⁸⁷ Below is further detail.

- The BSTX Listing Rules (26100 series) are based on the NYSE American Original Listing Requirements (Sections 101-146).
- The BSTX Original Listing Procedures (26200 series) are based on the NYSE American Original Listing Procedures (Sections 201 – 222).
- The BSTX Additional Listings Rules (26300 series) are based on the NYSE American Additional Listings Sections (Sections 301-350).
- The BSTX Disclosure Policies (26400 series) are based on the

¹⁸⁶ 15 U.S.C. 78f(b)(5)

¹⁸⁷ The Exchange notes that while the numbering of BSTX's Listing Rules generally corresponds to a Section of the NYSE American LLC Company Guide, BSTX did not integrate certain Sections of the NYSE American Company Guide that the Exchange deemed inapplicable to its operations. Further, the Exchange formulated a small amount of new rules to reflect requirements of its blockchain platform, as more fully described herein.

- NYSE American Disclosure Policies (Sections 401-404).
- The BSTX Dividends and Splits Rules (26500 series) are based on the NYSE American Dividends and Stock Splits Sections (Sections 501-522).
 - The BSTX Accounting; Annual and Quarterly Reports Rules (26600 series) are based on the NYSE American Accounting; Annual and Quarterly Reports Sections (Sections 603-624).
 - The BSTX Shareholders' Meetings, Approval and Voting of Proxies Rules (26700 series) are based on the NYSE American Shareholders' Meetings, Approval and Voting of Proxies Sections (Sections 701-726).
 - The BSTX Corporate Governance Rules (26800 series) are based on the NYSE American Corporate Governance Sections (Sections 801-809).
 - The BSTX Additional Matters Rules (26900 series) are based on the NYSE American Additional Matters Sections (Sections 920-994).
 - The BSTX Suspension and Delisting Rules (27000 series) are based on the NYSE American Suspension and Delisting Sections (Sections 1001-1011).
 - The BSTX Guide to Filing Requirements (27100 series) are based on the NYSE American Guide to Filing Requirements (Section 1101).

- The BSTX Procedures for Review of Amex Listing Determinations (27200 series) are based on the NYSE American Procedures for Review of Amex Listing Determinations (Sections 1201-1211).
- The BSTX Dues, Fees, Assessments, and Other Charges Rules (28000 series) are based on the NYSE American BSTX Rules 15.1 and 15.2.

The definitions listed above are being added to allow the Exchange to clearly explain its Listing Rules to market participants. Increased clarity may serve to remove impediments to and perfect the mechanism of a free and open market and a national market system and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁸

The Exchange believes rules that provide an additional Initial Listing Requirement for preferred security tokens, reduce quantitative listing thresholds, and provide an additional option for listing subscription rights expand the possible set of companies that would be eligible to list on the Exchange; this constitutes a removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.¹⁸⁹ Further, consistent with the public interest, rules that provide more opportunity for listings may

¹⁸⁸ 15 U.S.C. 78f(b)(5).

¹⁸⁹ 15 U.S.C. 78f(b)(5).

promote competition and capital formation. The Exchange notes that each of these Rules expands upon an existing standard in the NYSE American LLC Company Guide.

Regarding the Rule clarifications described above, the Exchange believes that additional clarity allows market participants to better understand and interpret the Exchange's Rules, which removes impediments to and perfects the mechanism of a free and open market and a national market system, and may also foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁰

The Exchange has enhanced the notice requirements for listed companies to communicate to BSTX related to record dates and defaults. The Exchange believes that these additional disclosure and communication obligations can help BSTX in monitoring for listed company compliance with applicable rules and regulations; such additional disclosure obligations are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁹¹ Further, the Exchange reserves the right to provide Participants with a list of approved rates of reimbursement of Participants for all

¹⁹⁰ 15 U.S.C. 78f(b)(5).

¹⁹¹ 15 U.S.C. 78f(b)(5).

out-of-pocket expenses related to proxy voting. This would provide for reasonable guidelines if/when a listed company were to allow reimbursement of expenses incurred in proxy voting, including certain proxy solicitations. The Exchange believes such rule promotes just and equitable principles of trade, consistent with Section 6(b)(5) of the Exchange Act.¹⁹²

The Exchange's Rules provide additional flexibility for listed companies in choosing how liquidity will be provided in their listings by allowing listed companies to use two market makers in lieu of a DMM. The Exchange believes that such additional flexibility constitutes a removal of impediments to and perfection of the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.¹⁹³

The Exchange believes that disallowing fractional shares reduces work and potential issues that listed companies and the Exchange would have to deal with if BSTX were to allow trading of fractional shares. By extension, the requirement to provide cash in lieu of fractional shares simplifies the process related to share transfer and tracking of share ownership; such simplification promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, removes impediments to and perfect the mechanism of a free and open market and a

¹⁹² 15 U.S.C. 78f(b)(5).

¹⁹³ 15 U.S.C. 78f(b)(5).

national market system, and, in general, protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁴

The Exchange has added to the NYSE Arca standards an Aggregate Market Value criteria. While such a threshold does not guarantee the quality of a listing company, the Exchange believes such a standard may help ensure that companies that chose to list by meeting the first Initial Listing Standard would generally be of a higher quality than if this threshold was not included. Listings of higher-quality companies would help to protect investors and to prevent fraudulent and manipulative acts and practices, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁵

BSTX Rule 26130 requires listing applicants to furnish a legal opinion that the applicant's security token is a security under applicable United States securities laws. Such a requirement provides assurance to the Exchange that security token trading relates to appropriate asset classes. The Exchange believes that this Rule promotes just and equitable principles of trade and, in general, protects investors and the public interest, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁶

Rule 26230 provides that, prior to approving a security token for trading on BSTX, the Exchange will conduct an audit of the security token's architecture to ensure compliance with the BSTX Protocol. This Rule ensures that trading, clearing, and settling of security tokens can be done efficiently and effectively by the Exchange and relevant service providers. The Exchange believes that this Rule fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing

¹⁹⁴ 15 U.S.C. 78f(b)(5).

¹⁹⁵ 15 U.S.C. 78f(b)(5).

¹⁹⁶ 15 U.S.C. 78f(b)(5).

information with respect to, and facilitating transactions in securities, and that such Rule removes impediments to and perfects the mechanism of a free and open market and a national market system, consistent with Section 6(b)(5) of the Exchange Act.¹⁹⁷

L. Fees (Rule 24000 Series)

The Exchange proposes to set forth as its Rule 24000 Series (Fees) the Exchange's authority prescribe reasonable dues, fees, assessments or other charges as it may deem appropriate. As provided in proposed Rule 28000 (Authority to Prescribe Dues, Fees, Assessments and Other Charges), these fees may include membership dues, transaction fees, communication and technology fees, regulatory fees, and other fees, which will be equitably allocated among BSTX Participants, issuers, and other persons using the Exchange's facilities.¹⁹⁸ Proposed Rule 28010 (Regulatory Revenues) generally provides that any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities).

The Exchange believes that the proposed Rule 28000 Series (Fees) is consistent with Sections 6(b)(5) of the Exchange Act because these proposed rules are designed to protect investors and the public interest by setting forth the Exchange's authority to assess fees on BSTX Participants, which will be used to operate the BSTX System and surveil BSTX for compliance with applicable laws and rules. The Exchange believes that

¹⁹⁷ 15 U.S.C. 78f(b)(5).

¹⁹⁸ Proposed Rule 28000 further provides authority for the Exchange to charge BSTX Participants a regulatory transaction fee pursuant to Section 31 of the Exchange Act (15 U.S.C. 78ee) and that the Exchange will set forth fees pursuant to publicly available schedule of fees.

the proposed Rule 28000 Series (Fees) is also consist with Sections 6(b)(3) of the Exchange Act¹⁹⁹ because the proposed Rules specify that all fees assessed by the Exchange shall be equitably allocated among BSTX Participants, issuers and other persons using the Exchange's facilities. The Exchange intends to submit a proposed rule change to the Commission setting forth the proposed fees relating to trading on BSTX in advance of the launch of BSTX.

V. *Minor Rule Violation Plan*

The Exchange's disciplinary rules, including Exchange Rules applicable to "minor rule violations," are set forth in the Rule 12000 Series of the Exchange's current Rules. Such disciplinary rules will apply to BSTX Participants and their associated persons pursuant to proposed Rule 24000. The Exchange's Minor Rule Violation Plan ("MRVP") specifies those uncontested minor rule violations with sanctions not exceeding \$2,500 that would not be subject to the provisions of Rule 19d-1(c)(1) under the Act²⁰⁰ requiring that an SRO promptly file notice with the Commission of any final disciplinary action taken with respect to any person or organization.²⁰¹ The Exchange's MRVP

¹⁹⁹ 15 U.S.C. 78f(b)(3).

²⁰⁰ 17 CFR 240.19d-1(c)(1).

²⁰¹ The Commission adopted amendments to paragraph (c) of Rule 19d-1 to allow SROs to submit for Commission approval plans for the abbreviated reporting of minor disciplinary infractions. See Exchange Act Release No. 21013 (June 1, 1984), 49 FR 23828 (June 8, 1984). Any disciplinary action taken by an SRO against any person for violation of a rule of the SRO which has been designated as a minor rule violation pursuant to such a plan filed with and declared effective by the Commission will not be considered "final" for purposes of Section 19(d)(1) of the Act if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person has not sought an adjudication, including a hearing, or otherwise exhausted his administrative remedies.

includes the policies and procedures set forth in Exchange Rule 12140 (Imposition of Fines for Minor Violations).

The Exchange proposes to amend its MRVP and Rule 12140 to include proposed Rule 24010 (Penalty for Minor Rule Violations). The Rules included in proposed Rule 24010 as appropriate for disposition under the Exchange's MRVP are: (a) Rule 20000 (Maintenance, Retention and Furnishing of Records); (b) Rule 25070 (Audit Trail); (c) Rule 25210(a)(1) (Two-Sided Quotation Obligations of BSTX Market Makers); and Rule 25120 (Short Sales). The rules included in proposed Rule 12140 are the same as the rules included in the MRVPs of other exchanges.²⁰² Upon implementation of this proposal, the Exchange will include the enumerated trading rule violations in the Exchange's standard quarterly report of actions taken on minor rule violations under the MRVP. The quarterly report includes: the Exchange's internal file number for the case, the name of the individual and/or organization, the nature of the violation, the specific rule provision violated, the sanction imposed, the number of times the rule violation has occurred, and the date of disposition. The Exchange's MRVP, as proposed to be amended, is consistent with Sections 6(b)(1), 6(b)(5) and 6(b)(6) of the Act,²⁰³ which require, in part, that an exchange have the capacity to enforce compliance with, and provide appropriate discipline for, violations of the rules of the Commission and of the exchange. In addition, because amended Rule 12140 will offer procedural rights to a person sanctioned for a violation listed in proposed Rule 24010, the Exchange will provide a fair procedure for

²⁰² See e.g., IEX Rule 9.218 and Cboe BZX Rule 8.15.01.

²⁰³ 15 U.S.C. 78f(b)(1), 78f(b)(5) and 78f(b)(6).

the disciplining of members and associated persons, consistent with Section 6(b)(7) of the Act.²⁰⁴

This proposal to include the rules listed in Rule 24010 in the Exchange's MRVP is consistent with the public interest, the protection of investors, or otherwise in furtherance of the purposes of the Act, as required by Rule 19d-1(c)(2) under the Act,²⁰⁵ because it should strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities as an SRO in cases where full disciplinary proceedings are unsuitable in view of the minor nature of the particular violation. In requesting the proposed change to the MRVP, the Exchange in no way minimizes the importance of compliance with Exchange Rules and all other rules subject to the imposition of fines under the MRVP. However, the MRVP provides a reasonable means of addressing rule violations that do not rise to the level of requiring formal disciplinary proceedings, while providing greater flexibility in handling certain violations. The Exchange will continue to conduct surveillance with due diligence and make a determination based on its findings, on a case-by-case basis, whether a fine of more or less than the recommended amount is appropriate for a violation under the MRVP or whether a violation requires a formal disciplinary action.

VI. *Amendments to Existing BOX Rules*

Due to the new BSTX trading facility and the introduction of trading in security tokens, a type of equity security, on the Exchange, the Exchange proposes to amend those Exchange Rules that would apply to BSTX Participants, but that currently only

²⁰⁴ 15 U.S.C. 78f(b)(7).

²⁰⁵ 17 CFR 240.19d-1(c)(2).

contemplate trading in options. Therefore, the Exchange is seeking to amend the following Exchange Rules, each of which is set forth in Exhibit 5A:

- Rule 100(a) (Definitions) “Approved Clearance and Settlement Provider”:

The Exchange proposes to add a new definition for “Approved Clearance and Settlement Provider” that would be defined as follows: “The term “Approved Clearance and Settlement Provider” means: (i) a registered clearing agency or clearing agency exempt from registration pursuant to Section 17A of the Exchange Act; (ii) a registered transfer agent registered pursuant to Section 17A of the Exchange Act; (iii) a bank, as defined in Section 3(a)(6) of the Exchange Act; (iv) or other entity, in the Exchange’s discretion, approved by the SEC as a satisfactory control location for purposes of Rule 15c3-3 of the Exchange Act.

- Rule 100(a) (Definitions) “Options Participant” or “Participant”: The Exchange proposes to change the definition of “Options Participant or Participant” to “Participant” to reflect Options Participants and BSTX Participants and to amend the definition as follows: “The term ‘Participant’ means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an ‘Options Participant’ and ‘BSTX Participant.’”

- Rule 100(a) (Definitions) “Options Participant”: The Exchange proposes to add a definition of “Options Participant” that would be defined as follows: “The term ‘Options Participant’ is a Participant registered with the Exchange

for purposes of participating in options trading on the Exchange.”²⁰⁶

- Rule 2020(g)(2) (Participant Eligibility and Registration): The Exchange proposes to delete subsection (g)(2) and replace it with the following: “(2) persons associated with a Participant whose functions are related solely and exclusively to transactions in municipal securities; (3) persons associated with a Participant whose functions are related solely and exclusively to transactions in commodities; (4) persons associated with a Participant whose functions are related solely and exclusively to transactions in securities futures, provided that any such person is appropriately registered with a registered futures association; and (5) persons associated with a Participant who are restricted from accessing the Exchange and that do not engage in the securities business of the Participant relating to activity that occurs on the Exchange.”²⁰⁷
- Rule 2040(e)(4) (Restrictions): The Exchange proposes to amend subsection (e)(4) of Rule 2040 in subsection as follows: “does not clear or settle transactions executed on BOX through an Approved Clearance and Settlement Provider.”
- Rule 2060 (Revocation of Participant Status or Association with a Participant): The Exchange proposes to amend Rule 2060 to refer to “securities transactions” rather than “options securities transactions.”

²⁰⁶ In addition, as a result of these new defined terms, the Exchange proposes to renumber definitions set forth in Rule 100(a) to keep the definitions in alphabetical order.

²⁰⁷ In addition to revising Rule 2020(g)(2) to broaden it to include securities activities beyond just options trading, the Exchange proposes to add greater specificity to define persons that are exempt from registration, consistent with the approach adopted by other exchanges. See e.g., IEX Rule 2.160(m).

- Rule 3180(a) (Mandatory Systems Testing): The Exchange proposes to amend subsection (a)(1) of Rule 3180 to also include BSTX Participants, in addition to the categories of Market Makers and OFPs.
- Rule 7130(a)(2)(v) Execution and Price/Time Priority: The Exchange proposes to update the cross reference to Rule 100(a)(58) to refer to Rule 100(a)(60), which defines the term “Request for Quote” or “RFQ.”
- Rule 7150(a)(2) (Price Improvement Period): The Exchange proposes to amend
- Rule 7230 (Limitation of Liability): The Exchange proposes to amend the references in Rule 7230 to “Options Participants” to simply “Participants.”
- Rule 7245(a)(4) (Complex Order Price Improve Period): The Exchange proposes to update the cross reference to Rule 100(a)(51) to refer to Rule 100(a)(53), which defines the term “Professional.”
- IM-8050-3: The Exchange proposes to update the cross reference to Rule 100(a)(55) to refer to Rule 100(a)(58), which defines the term “quote” or “quotation.”²⁰⁸
- Rule 11010(a) “Investigation Following Suspension”: The Exchange proposes to amend subsection (a) of Rule 11010 to remove the reference to “in BOX options contracts” and to modify the word “position” with the word “security” as follows: “. . . the amount owing to each and a complete list of

²⁰⁸ Current Exchange Rule 100(a)(55) defines the term “Quarterly Options Series,” but the intended reference in IM-8050-3 was the definition of “quote” or “quotation.” The term “quote” or “quotation” is currently defined in Rule 100(a)(56), but is proposed to be renumbered as Rule 100(a)(58).

each open long and short security position maintained by the Participant and each of his or its Customers.”

- Rule 11030 (Failure to Obtain Reinstatement): The Exchange proposes to amend Rule 11030 to replace the reference to “Options Participant” to simply “Participant.”
- Rule 12030(a)(1) (Letters of Consent): The Exchange proposes to amend subsection (a)(1) of Rule 12030 to replace the reference to “Options Participant” to simply “Participant.”
- Rule 12140 (Imposition of Fines for Minor Rule Violations): The Exchange proposes to amend Rule 12140 to replace references to “Options Participant” to simply “Participant.” In addition, the Exchange proposes to add paragraph (f) to Rule 12140, to incorporate the aforementioned modifications to the Exchange’s MRVP. New paragraph (f) of Rule 12140 would provide: “(f) Transactions on BSTX. Rules and penalties relating to trading on BSTX that are set forth in Rule 24010 (Penalty for Minor Rule Violations).”

The Exchange believes that the proposed amendments to the definitions set forth in Rule 100 are consistent with Section 6(b)(5) of the Exchange Act²⁰⁹ because they protect investors and the public interest by setting forth clear definitions that help BOX and BSTX Participants understand and apply Exchange Rules. Without defining terms used in the Exchange Rules clearly, market participants could be confused as to the application of certain rules, which could cause harm to investors.

²⁰⁹ 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed amendments to the other Exchange Rules detailed above are consistent with Section 6(b)(5) of the Exchange Act²¹⁰ because the proposed rule change is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system by ensuring that market participants can easily navigate, understand and comply with the Exchange's rulebook. The Exchange believes that the proposed rule change enables the Exchange to continue to enforce the Exchange's rules. The Exchange notes that none of the proposed changes to the current Exchange rulebook would materially alter the application of any of those Rules, other than by extending them to apply to BSTX Participants and trading on the BSTX System. As such, the proposed amendments would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national exchange system. Further, the Exchange believes that, by ensuring the rulebook accurately reflects the intention of the Exchange's rules, the proposed rule change reduces potential investor or market participant confusion.

VII. *Forms to Be Used in Connection with BSTX*

In connection with the operation of BSTX, the Exchange proposes to use a series of new forms to facilitate becoming a BSTX Participant and for issuers to list their

²¹⁰ Id.

security tokens. These forms have been attached hereto as Exhibits 3A – 3M. Each are described below.

A. BSTX Participant Application

Pursuant to proposed Rule 18000(b), in order to become a BSTX Participant, an applicant must complete a BSTX Participant Application, which is attached as Exhibit 3A. The proposed BSTX Participant Application requires the applicant to provide certain basic information such as identifying the applicants name and contact information, Designated Examining Authority, organizational structure, and Central Registration Depository (“CRD”) number. The BSTX Participant Application also requires applicants to provide additional information including certain beneficial ownership information, the applicant’s current Form BD, an organization chart, a description of how the applicant receives orders from customers, how it will send orders to BSTX, and a copy of written supervisory procedures and information barrier procedures.

In addition, the BSTX Participant Application allows applicants to indicate whether they are applying to be a BSTX Market Maker or a Designated Market Maker. Applicants wishing to become a BSTX Market Maker or Designated Market Maker must provide certain additional information including a list of each of the applicant’s trading representatives (including a copy of each representative’s Form U4), a copy of the applicant’s written supervisory procedures relating to market making, a description of the source and amount of the applicant’s capital, and information regarding the applicant’s other business activities and information barrier procedures.

B. BSTX Participant Agreement

Pursuant to Exchange Rule 18000(b), to transact business on BSTX, prospective BSTX Participants must complete a BSTX Participant Agreement. The BSTX Participant Agreement is attached as Exhibit 3B. The BSTX Participant Agreement provides that a BSTX Participant must agree with the Exchange as follows:

1. Participant agrees to abide by the Rules of the Exchange and applicable bylaws, as amended from time to time, and all circulars, notices, interpretations, directives and/or decisions adopted by the Exchange.
2. Participant acknowledges that BSTX Participant and its associated persons are subject to the oversight and jurisdiction of the Exchange.
3. Participant authorizes the Exchange to make available to any governmental agency or SRO any information it may have concerning the BSTX Participant or its associated persons, and releases the Exchange from any and all liability in furnishing such information.
4. Participant acknowledges its obligation to update any and all information contained in any part of the BSTX Participant's application, including termination of membership with another SRO.

These provisions of the BSTX Participant Agreement and others therein are generally designed to reflect the Exchange's SRO obligations to regulate BSTX Participants. Accordingly, these provisions contractually bind a BSTX Participant to comply with Exchange rules, acknowledge the Exchange's oversight and jurisdiction, authorize the Exchange to disclose information regarding the Participant to any governmental agency or SRO and acknowledge the obligation to update any and all Application contained in the Participant's application.

C. BSTX User Agreement

In order to become a BSTX Participant, prospective participants must also execute a BSTX User Agreement pursuant to proposed Rule 18000(b). The BSTX User Agreement, attached as Exhibit 3C, includes provisions related to the term of the agreement, compliance with exchange rules, right and obligations under the agreement, changes to BSTX, proprietary rights under the agreement, use of information received under the relationship, disclaimer of warranty, limitation of liability, indemnification, termination and assignment. The information is necessary to outline the rights and obligations of the prospective Participant and the Exchange under the terms of the agreement. Both the BSTX Participant Agreement and BSTX User Agreement will be available on the Exchange's website (boxoptions.com).

D. BSTX Security Token Market Designated Market Maker Selection Form

In accordance with proposed Rule 2523(b)(1), BSTX will maintain the BSTX Security Token Designated Market Maker Selection Form, which is attached as Exhibit 3D. The issuer may select its DMM from among a pool of DMMs eligible to participate in the process. Within two business days of the issuer selecting its DMM, it will use the BSTX Security Token Market Designated Market Maker Selection form to notify BSTX of the selection. The form must be signed by a duly authorized officer as specified in proposed Rule 2523(b)(1).

E. Clearing Authorization Forms

In accordance with proposed Rule 18010, BSTX Participants that do not directly enter a written agreement with an Approved Settlement Provider for the settlement of security token transactions must enter a written agreement with a Carrying BSTX

Participant that has such an arrangement with an Approved Settlement Provider. A BSTX Participant that enters a written agreement with a Carrying BSTX Participant would do so using, as applicable, either the BSTX Clearing Authorization (non-Market Maker) form (attached as Exhibit 3E) or the BSTX Participant Clearing Authorization (Market Maker) form (attached as Exhibit 3F). Each form will be maintained by BSTX and each form specifies that the Carrying BSTX Participant accepts financial responsibility for all transactions on BSTX that are made by the BSTX Participant designated on the form.

F. BSTX Listing Applications

The Exchange proposes to specify the required forms of listing application, listing agreement and other documentation that listing applicants and listed companies must execute or complete (as applicable) as a prerequisite for initial and ongoing listing on the Exchange, as applicable (collectively, “listing documentation”). As proposed, the listing forms are substantially similar to those currently in use by NYSE American LLC, with certain differences to account for the trading of security tokens. All listing documentation will be available on the Exchange’s website (boxoptions.com). Each of the listing documents form a duly authorized representative of the company must sign an affirmation that the information provided is true and correct as of the date the form was signed. In the event that in the future the Exchange makes any substantive changes (including changes to the rights, duties, or obligations of a listed company or listing

applicant or the Exchange, or that would otherwise require a rule filing) to such documents, it will submit a rule filing in accordance with Rule 19b-4.²¹¹

Pursuant to Rule 26130 and 26300 of the Exchange Rules, a company must file and execute the BSTX Original Listing Application (attached as Exhibit 3G) or the BSTX Additional Listing Application (attached as Exhibit 3H) to apply for the listing of security tokens on BSTX.²¹² The BSTX Original Listing Application provides information necessary, and in accordance with Section 12(b) of the Exchange Act,²¹³ for Exchange regulatory staff to conduct a due diligence review of a company to determine if it qualifies for listing on the Exchange. The BSTX Additional Listing Application requires certain further information for an additional listing of security tokens. Relevant factors regarding the company and securities to be listed will determine the type of information required. The following describes each category and use of application information:

1. Corporate information regarding the issuer of the security to be listed, including company name, address, contact information, Central Index Key Code (CIK), SEC File Number, state and country of incorporation, date of incorporation, whether the company is a foreign private issuer, website address, SIC Code, CUSIP number of the security being listed and the date of fiscal year end. This

²¹¹ The Exchange will not submit a rule filing if the changes made to a document are solely typographical or stylistic in nature.

²¹² Pursuant to proposed Exchange Rule 26130, an applicant seeking the initial listing of its security token must also provide a legal opinion that the applicant's security token is a security under applicable United States securities laws.

²¹³ 15 U.S.C. 78l(b).

information is required of all applicants and is necessary in order for the Exchange's regulatory staff to collect basic company information for recordkeeping and due diligence purposes, including review of information contained in the company's SEC filings.

2. For original listing applications only, corporate contact information including the company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary, General Counsel and Investor Relations Officer. This information is required of all initial applicants and is necessary in order for the Exchange's regulatory staff to collect current company contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
3. For original listing applications only, offering and security information regarding an offering, including the type of offering, a description of the issue, par value, number of security tokens outstanding or offered, total security tokens unissued, but reserved for issuance, date authorized, purpose of security tokens to be issued, number of security tokens authorized, and information relating to payment of dividends. This information is required of all applicants listing security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
4. For original listing applications only, information regarding the company's transfer agent. Transfer agent information is required for all applicants. This information is necessary in order for the Exchange's regulatory staff to collect current contact information for such company transfer agent for purposes of

obtaining any additional due diligence information to complete a listing qualification review of the applicant.

5. For original listing applications only, contact information for the outside counsel with respect to the listing application, if any. This information is necessary in order for the Exchange's regulatory staff to collect applicable contact information for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant and assess compliance with Exchange Rule 26130.
6. For original listing applications only, a description of any security preferences. This information is necessary to determine whether the Applicant issuer has any existing class of common stock or equity securities entitling the holders to differential voting rights, dividend payments, or other preferences.
7. For original listing applications only, type of security token listing, including the type of transaction (initial security token offering, merger, spin-off, follow on offering, reorganization, exchange offer or conversion) and other details related to the transaction, including the name and contact information for the investment banker/financial advisor contacts. This information is necessary in order for the Exchange's regulatory staff to collect information for such company for purposes of obtaining any additional due diligence information to complete a listing qualification review of the applicant.
8. For original listing applications only, exchange requirements for listing consideration. This section notes that to be considered for listing, the Applicant Issuer must meet the Exchange's minimum listing requirements, that the

Exchange has broad discretion regarding the listing of any security token and may deny listing or apply additional or more stringent criteria based on any event, condition or circumstance that makes the listing of an Applicant Issuer's security token inadvisable or unwarranted in the opinion of the Exchange. The section also notes that even if an Applicant Issuer meets the Exchange's listing standards for listing on the BSTX Security Token Market, it does not necessarily mean that its application will be approved. This information is necessary in order for the Exchange's regulatory staff to assess whether an Applicant Issuer is qualified for listing.

9. For original listing applications only, regulatory review information, including a certification that no officer, board member or non-institutional shareholder with greater than 10% ownership of the company has been convicted of a felony or misdemeanor relating to financial issues during the past ten years or a detailed description of any such matters. This section also notes that the Exchange will review background materials available to it regarding the aforementioned individuals as part of the eligibility review process. This regulatory review information is necessary in order for the Exchange's regulatory staff to assess whether there are regulatory matters related to the company that render it unqualified for listing.
10. For original listing applications only, supporting documentation required prior to listing approval includes a listing agreement, corporate governance affirmation, security token design affirmation, listing application checklist and underwriter's letter. This documentation is necessary in order to support the Exchange's

regulatory staff listing qualification review (corporate governance affirmation, listing application checklist and underwriter's letter) and to effectuate the listed company's agreement to the terms of listing (listing agreement).

11. For additional listing applications only, transaction details, including the purpose of the issuance, total security tokens, date of board authorization, date of shareholder authorization and anticipated date of issuance. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
12. For additional listing applications only, insider participation and future potential issuances, including whether any director, officer or principal shareholder of the company has a direct or indirect interest in the transaction, and if the transaction potentially requires the company to issue any security tokens in the future above the amount they are currently applying for. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.
13. For additional listing applications only, information for a technical original listing, including reverse security token splits and changes in states of incorporation. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order for the Exchange's regulatory staff to collect basic information about the offering.

14. For additional listing applications only, information for a forward security token split or security token dividend, including forward security token split ratios and information related to security token dividends. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary in order to determine the rights associated with the security tokens.
15. For additional listing applications only, relevant company documents. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review.
16. For additional listing applications only, reconciliation for technical original listing, including security tokens issued and outstanding after the technical original event, listed reserves previously approved for listing, and unlisted reserves not yet approved by the Exchange. This information is required of all applicants listing additional security tokens on the Exchange, and is necessary to assess to support the Exchange's regulatory staff listing qualification review and to obtain all of the information relevant to the offering.

G. Checklist for Original Listing Application

In order to assist issuers seeking to list its security tokens on BSTX, the Exchange has provided a checklist for issuers to seeking to file an original listing application with BSTX. The BSTX Listing Application Checklist, attached as Exhibit 3I, provides that issuers must provide BSTX with a listing application, listing agreement, corporate governance affirmation, BSTX security token design affirmation, underwriter's letter (for initial security token offerings only) and relevant SEC filings (e.g., 8-A, 10, 40-F, 20-F).

Each of the above referenced forms are fully described herein. The checklist is necessary to assist issuers and the Exchange regulatory staff in assessing the completion of the relevant documents.

H. BSTX Security Token Market Listing Agreement

Pursuant to proposed Exchange Rule 26132, to apply for listing on the Exchange, a company must execute the BSTX Security Token Market Listing Agreement (the “Listing Agreement”), which is attached as Exhibit 3J. Pursuant to the proposed Listing Agreement, a company agrees with the Exchange as follows:

1. Company certifies that it will comply with all Exchange rules, policies, and procedures that apply to listed companies as they are now in effect and as they may be amended from time to time, regardless of whether the Company's organization documents would allow for a different result.
2. Company shall notify the Exchange at least 20 days in advance of any change in the form or nature of any listed security tokens or in the rights, benefits, and privileges of the holders of such security tokens.
3. Company understands that the Exchange may remove its security tokens from listing on the BSTX Security Token Market, pursuant to applicable procedures, if it fails to meet one or more requirements of Paragraphs 1 and 2 of this agreement.
4. In order to publicize the Company's listing on the BSTX Security Token Market, the Company authorizes the Exchange to use the Company's corporate logos, website address, trade names, and trade/service marks in order to convey quotation information, transactional reporting information, and other information regarding the Company in connection with the Exchange. In order to ensure the

accuracy of the information, the Company agrees to provide the Exchange with the Company's current corporate logos, website address, trade names, and trade/service marks and with any subsequent changes to those logos, trade names and marks. The Listing Agreement further requires that the Company specify a telephone number to which questions regarding logo usage should be directed.

5. Company indemnifies the Exchange and holds it harmless from any third-party rights and/or claims arising out of use by the Exchange or, any affiliate or facility of the Exchange ("Corporations") of the Company's corporate logos, website address, trade names, trade/service marks, and/or the trading symbol used by the Company.
6. Company warrants and represents that the trading symbol to be used by the Company does not violate any trade/service mark, trade name, or other intellectual property right of any third party. The Company's trading symbol is provided to the Company for the limited purpose of identifying the Company's security in authorized quotation and trading systems. The Exchange reserves the right to change the Company's trading symbol at the Exchange's discretion at any time.
7. Company agrees to furnish to the Exchange on demand such information concerning the Company as the Exchange may reasonably request.
8. Company agrees to pay when due all fees associated with its listing of security tokens on the BSTX Security Token Market, in accordance with the Exchange's rules.

9. Company agrees to file all required periodic financial reports with the SEC, including annual reports and, where applicable, quarterly or semi-annual reports, by the due dates established by the SEC.

The various provisions of the Listing Agreement are designed to accomplish several objectives. First, clauses 1-3 and 6-8 reflect the Exchange's SRO obligations to assure that only listed companies that are compliant with applicable Exchange rules may remain listed. Thus, these provisions contractually bind a listed company to comply with Exchange rules, provide notification of any corporate action or other event that will cause the company to cease to be in compliance with Exchange listing requirements, evidence the company's understanding that it may be removed from listing (subject to applicable procedures) if it fails to be in compliance or notify the Exchange of any event of noncompliance, furnish the Exchange with requested information on demand, pay all fees due and file all required periodic reports with the SEC. Clauses four and five contain standard legal representations and agreements from the listed company to the Exchange regarding use of its logo, trade names, trade/service markets, and trading symbols as well as potential legal claims against the Exchange in connection thereto.

I. BSTX Security Token Market Company Corporate Governance Affirmation

In accordance with the Rule 26800 Series, companies listed on BSTX are required to comply with certain corporate governance standards, relating to, for example, audit committees, director nominations, executive compensation, board composition, and executive sessions. In certain circumstances the corporate governance standards that apply vary depending on the nature of the company. In addition, there are phase-in periods and exemptions available to certain types of companies. The proposed BSTX

Security Token Market Corporate Governance Affirmation, attached as Exhibit 3K, enables a company to confirm to the Exchange that it is in compliance with the applicable standards, and specify any applicable phase-ins or exemptions. Companies are required to submit a BSTX Security Token Market Corporate Governance Affirmation upon initial listing on the Exchange and thereafter when an event occurs that makes an existing form inaccurate. This BSTX Security Token Market Corporate Governance Affirmation assists the Exchange regulatory staff in monitoring listed company compliance with the corporate governance requirements.

J. Security Token Design Affirmation for the BSTX Security Token Market

In accordance with proposed Rule 26138, in order for a security token to be admitted to dealings on BSTX, such security token must follow the BSTX Security Token Protocol. The BSTX Security Token Protocol will be provided via Regulatory Circular. The Security Token Design Affirmation, attached as Exhibit 3L, enables a company to affirm to the Exchange that it is in compliance with the applicable standards. Companies are required to submit a Security Token Design Affirmation upon initial listing on the Exchange. This Security Token Design Affirmation assists the Exchange's staff in verifying that an issuer's security tokens meet the requirements of the BXTS security token protocol.

K. Sample Underwriter's Letter

In accordance with proposed Rule 26101, an initial security token offering must meet certain listing requirements. The Exchange seeks to require the issuer's underwriter to execute a letter setting forth the details of the offering, including the name of the offering and why the offering meets the criteria of the BSTX rules. This information, set

forth in the proposed Sample Underwriter's Letter and attached as Exhibit 3M, is necessary to assist the Exchange's regulatory staff in assessing the offering's compliance with BSTX listing standards for initial security token offerings.

VIII. *Regulation*

In connection with the operation of BSTX, the Exchange will leverage many of the structures it established to operate a national securities exchange in compliance with Section 6 of the Exchange Act.²¹⁴ Specifically, the Exchange will extend its Regulatory Services Agreement with FINRA to cover BSTX Participants and trading on the BSTX System. This Regulatory Services Agreement will govern many aspects of the regulation and discipline of BSTX Participants, just as it does for options regulation. The Exchange will perform security token listing regulation, authorize BSTX Participants to trade on the BSTX System, and conduct surveillance of security token trading on the BSTX System.

Section 17(d) of the Exchange Act²¹⁵ and the related Exchange Act rules permit SROs to allocate certain regulatory responsibilities to avoid duplicative oversight and regulation. Under Exchange Act Rule 17d-1,²¹⁶ the SEC designates one SRO to be the Designated Examining Authority, or DEA, for each broker-dealer that is a member of more than one SRO. The DEA is responsible for the financial aspects of that broker-dealer's regulatory oversight. Because Exchange Participants, including BSTX

²¹⁴ 15 U.S.C. 78f.

²¹⁵ 15 U.S.C. 78q(d).

²¹⁶ 17 CFR 240.17d-1.

Participants, also must be members of at least one other SRO, the Exchange would generally not be designated as the DEA for any of its members.²¹⁷

Rule 17d-2 under the Exchange Act²¹⁸ permits SROs to file with the Commission plans under which the SROs allocate among each other the responsibility to receive regulatory reports from, and examine and enforce compliance with specified provisions of the Act and rules thereunder and SRO rules by, firms that are members of more than one SRO (“common members”). If such a plan is declared effective by the Commission, an SRO that is a party to the plan is relieved of regulatory responsibility as to any common member for whom responsibility is allocated under the plan to another SRO. Given that security tokens will only trade on BSTX, the Exchange does not believe that it is necessary to join certain of the multilateral Rule 17d-2 agreements such as the Plan for the Allocation of Regulatory Responsibilities Regarding Regulation NMS.²¹⁹ The Exchange may choose to join certain Rule 17d-2 agreements such as the agreement allocating responsibility for insider trading rules.²²⁰

For those regulatory responsibilities that fall outside the scope of any Rule 17d-2 agreements that the Exchange may join, subject to Commission approval, the Exchange will retain full regulatory responsibility under the Exchange Act. However, as noted, the

²¹⁷ See Exchange Rule 2020(a) (requiring that a Participant be a member of another registered national securities exchange or association).

²¹⁸ 17 CFR 240.17d-2.

²¹⁹ Exchange Act Release No. 85046 (February 4, 2019), 84 FR 2643 (February 7, 2019).

²²⁰ Exchange Act Release No. 84392 (October 16, 2018), 83 FR 52243 (October 16, 2018).

Exchange will extend its existing Regulatory Services Agreement with FINRA to provide that FINRA personnel will operate as agents for the Exchange in performing certain regulatory functions with respect to BSTX. As is the case with the Exchange's options trading platform, the Exchange will supervise FINRA and continue to bear ultimate regulatory responsibility for BSTX. Consistent with the Exchange's existing regulatory structure, the Exchange's Chief Regulatory Officer shall have general supervision of the regulatory operations of BSTX, including responsibility for overseeing the surveillance, examination, and enforcement functions and for administering all regulatory services agreements applicable to BSTX. Similarly, the Exchange's existing Regulatory Oversight Committee will be responsible for overseeing the adequacy and effectiveness of Exchange's regulatory and self-regulatory organization responsibilities, including those applicable to BSTX. Finally, as it does with options, the Exchange will perform automated surveillance of trading on BSTX for the purpose of maintaining a fair and orderly market at all times and monitor BSTX to identify unusual trading patterns and determine whether particular trading activity requires further regulatory investigation by FINRA.

In addition, the Exchange will oversee the process for determining and implementing trade halts, identifying and responding to unusual market conditions, and administering the Exchange's process for identifying and remediating "clearly erroneous trades" pursuant to proposed Rule 25110. The Exchange shall also oversee the onboarding and application process for BSTX Participants as well as compliance by

issuers of security tokens with the applicable initial and continuing listing requirements, including compliance with the BSTX Protocol.²²¹

IX. *Transaction Reporting Plan*

Pursuant to Rule 601(a) under the Exchange Act,²²² the Exchange will file a transaction reporting plan regarding transactions in listed security tokens executed through BSTX (the “Transaction Reporting Plan”). The Transaction Reporting Plan specifies how the Exchange will collect, process, and disseminate trade report and quotation data related to BSTX-listed security tokens that trade on the Exchange in a manner consistent with Regulation NMS Rule 601(a)(2).²²³ The Exchange recognizes that since transaction reports will be collected for BSTX-listed security tokens pursuant to a transaction reporting plan, BSTX-listed security tokens will be, by definition, “NMS securities” and also “NMS stock.”²²⁴ However, given that there is no other national securities exchange or other venue that has established procedures contemplating trading of BSTX-listed security tokens, the Exchange plans to request an exemption from the requirements of Regulation NMS Rule 603(b),²²⁵ which requires the Exchange to act jointly pursuant to a national market system plan to disseminate consolidated information, including a national best bid and national best offer, on quotations for and transactions in NMS stocks. The Exchange will amend its transaction reporting plan as

²²¹ See proposed Exchange Rules 26230 (Security Token Architecture Audit) and 26138 (BSTX Security Token Protocol).

²²² 17 CFR 242.601(a).

²²³ Id.

²²⁴ 17 CFR 242.600(b)(47) and (48) (defining NMS security and NMS stock).

²²⁵ 17 CFR 242.603(b).

necessary, or enter into a national market system plan based on its transaction reporting plan, in the future to account for BSTX-listed security token trading on other national securities exchanges or venues that require consolidation through the facilities of a national securities association.

X. *NMS Plans*

As previously noted, the Exchange proposes that security tokens will only be available for trading on BSTX subject to Commission approval and granting of necessary exemptive relief. Accordingly, there is no need for intermarket coordination plans relating to the trading of security tokens pursuant to Rule 608 of the Exchange Act²²⁶ under the proposed design of BSTX.²²⁷

(2) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of the Exchange Act, in general and with Section 6(b)(5) of the Exchange Act, in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and it is not designed to permit unfair discrimination between customers, issuers, brokers, or

²²⁶ 17 CFR 242.608.

²²⁷ The Exchange notes that, with respect to the NMS Plan to Address Extraordinary Market Volatility, the Exchange as proposed to adopt a similar framework in proposed Rule 25110 (Clearly Erroneous Executions) as provided in that NMS plan. Accordingly, the Exchange believes that the same protections afforded by that NMS Plan will be preserved in the operation of BSTX despite the Exchange not joining the NMS Plan.

dealers, or to regulate by virtue of any authority conferred by this title matters not related to the purposes of this title or the administration of the Exchange.

BSTX will benefit individual investors, other market participants, and the equities market generally. The entry of an innovative competitor such as BSTX that seeks to leverage blockchain technology in connection with the trading of equity securities will promote competition by introducing a new type of listed equity security—security tokens—into the marketplace. Notwithstanding these innovations, the proposed regulation of BSTX and BSTX Participants, as well as the execution of security tokens using a price-time priority model is substantially similar to existing equities exchanges. In this way, the Exchange believes that BSTX provides a robust regulatory structure that protects investors and the public interest while introducing blockchain technology in connection with listed equity securities.

As discussed in Section III, the Exchange proposes that security tokens will only be available for trading on BSTX, subject to appropriate relief from the Commission. As a result of security tokens only trading on BSTX, the Exchange has not adopted rules relating to intermarket coordination, such as those relating to the use of intermarket sweep orders or crossing/locking the quotation of another market. The Exchange believes that it is consistent with Section 6 of the Exchange Act and the protection of investors and the public interest to omit these rules at this time because they would not apply given that BSTX will be the only market for security tokens. Including such rules and functionality in the Exchange Rules could therefore lead to confusion among market participants, and the Exchange's Rules would not accurately reflect the manner in which the Exchange operates upon its initial launch.

The Exchange believes that the proposed limitation on trading security tokens only on BSTX is consistent with Section 6 of the Exchange Act and the protection of investors and the public interest because it will help facilitate an orderly introduction to the market of security tokens that are able to use the functionality of blockchain technology to maintain ownership records. The Exchange believes that this trading limitation would promote efficiency, competition, and capital formation, consistent with Section 3(f) of the Exchange Act, by facilitating the trading of security tokens in a manner that addresses structural problems in the market for small market capitalization securities such as market fragmentation. As previously noted, the Exchange is also seeking exemptive relief from the Commission, pursuant to its authority under Sections 11A(c)(3) and Section 36(a) of the Exchange Act, with respect to Section 12(f) of the Exchange Act which generally allows exchanges to extend unlisted trading privileges to any exchange listed security, and Rules 19c-1 and 19c-3 under the Exchange Act, which generally prohibit the rules of a national securities exchange from limiting the ability of its members from trading securities otherwise than on an exchange.

(B) The Exchange's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange operates in an intensely competitive global marketplace for transaction services. Relying on its array of services and benefits, the Exchange competes for the privilege of providing market services to broker-dealers. The Exchange's ability to compete in this environment is based in large part on the quality of its trading systems, the overall quality of its market and its attractiveness to the largest

number of investors, as measure by speed, likelihood and costs of executions, as well as spreads, fairness, and transparency.

The Exchange believes that the primary areas where the proposed rule change has the potential to result in a burden on competition are with regard to the terms on which: (1) issuers may list their securities for trading, (2) members may access the Exchange and use its facilities, (3) security token transactions may be cleared and settled.

Regarding considerations (1) and (2), and as described in detail in Item 3 above, the BSTX Rules are drawn substantially from the existing rules of other exchanges that the Commission has already found to be consistent with the Exchange Act, including regarding whether they impose any burden on competition that is not necessary or appropriate in furtherance of its purposes. For example, the BSTX listing rules in Sections 26000 and 27000 that affect issuers and their ability to list security tokens for trading are based substantially on the current rules of NYSE American. Additionally, the BSTX Rules regarding membership and access to and use of the facilities of BSTX are also substantially based on existing exchange rules. Specifically, the relevant BSTX Rules are as follows: participation on BSTX (Section 18000); business conduct for BSTX participants (Section 19000); financial and operational rules for BSTX participants (Section 20000); supervision (Section 21000); miscellaneous provisions (Section 22000); trading practices (Section 23000); discipline and summary suspension (Section 24000); trading (Section 25000); market making (Section 25200); and dues, fees, assessments, and other charges (Section 28000). As described in detail in Item 3, these rules are substantially based on analogous rules of the following exchanges, as applicable: BOX;

Investors Exchange LLC; Cboe BZX Exchange, Inc.; The Nasdaq Stock Market LLC; and NYSE American LLC.

Regarding consideration (3) above and the manner in which security token transactions may be cleared and settled, the Exchange's proposed definition of "Approved Settlement Provider" in Rule 17000(a)(4) is broad. Specifically, it permits trades in security tokens to be cleared and settled by "(i) a registered clearing agency or clearing agency exempt from registration pursuant to the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity in the Exchange's discretion, that may lawfully provide such functions." In this way, the Exchange's proposed rules are flexible to permit any market participant that is duly authorized and appropriately registered or exempted by the Commission pursuant to Section 17A of the Exchange Act to be able to act as an Approved Settlement Provider for security token transactions. Therefore, BSTX's rules do not impose any burden on competition regarding the manner in which trades may be cleared or settled.

With respect to the proposed limitation on the trading other than on BSTX, the Exchange believes it is essential to ensure that blockchain-based equity securities are introduced in manner that prioritizes the protection of investors. Given some of the unique characteristics of security tokens, such as the need to whitelist private key addresses and to have sufficient familiarity with the manner in which security tokens are moved from one address to another, the Exchange believes it is important that trading in security tokens occurs on an exchange with the necessary infrastructure and knowledge to facilitate such trading. Moreover, the proposed limitation is designed to help address deficiencies in the market structure for smaller market capitalization issuers such as

market fragmentation and dispersed liquidity. While this may pose a burden on competition as between BSTX and the rest of the market, the Exchange believes that the investor protection concerns and the potential benefits that would accrue to security token issuers override such competitive concerns. The proposed limitation may also promote competition among exchanges. Other exchanges might similarly propose to act as the sole trading venue for certain securities and develop innovative ways of improving the market structure for certain securities.

(C) The Exchange's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2019-19 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2019-19. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-BOX-2019-19 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated Authority.²²⁸

Eduardo A. Aleman
Assistant Secretary

Action as set forth recommended herein
APPROVED pursuant to authority delegated
by the Commission under Public Law 87-
592.

For: Division of Trading and Markets

By: _____

Print Name: _____

Date: _____

²²⁸ 17 CFR 200.30-3(a)(12).



PART V: BSTX APPLICANT-FIRM INFORMATION

Return to: BOX Exchange LLC (the “Exchange”)
Attn: Membership
101 Arch Street, Suite 610
Boston, MA 02110
Ph: (617) 235-2315
Email: membership@boxregulation.com

Date of Application: _____

1. Name: _____
(Full and Legal Name of BSTX Applicant-Firm)

2. Address: _____
(Street) (Telephone)

(City, State, Zip) (Fax Number)

3. Primary Contact _____
(Name) (Title)

(Telephone) (Fax) (Email Address)

(a) BSTX Regulatory Contact (if different): _____

(b) BSTX Billing Contact (if different): _____

4. Type of Entity: (check one) Corporation Partnership LLC LLP
 Other: (Explain) _____

5. The BSTX Applicant-Firm intends to register as a(n) (Check all that apply):

Market Maker Designated Market Maker (“DMM”)

Non-Market Maker BSTX Participant



6. Is the BSTX Applicant-Firm an entity formed under and subject to the laws of the United States?

(check one) Yes No

(a) If “no,” does the company have a registered subsidiary formed under and subject to the laws of United States? _____

1. State the name and address of such subsidiary and primary contact information:

7. BSTX Applicant-Firm’s Central Registration Depository (CRD) number: _____

8. Designated Examining Authority (“DEA”): Check if: FINRA Member

Other (Please provide name): _____

9. Identify the Carrying BSTX Participant through which BSTX Applicant-Firm will clear transactions on BSTX:

10. Beneficial Ownership Information: (NOTE: if either part of this question is yes, please provide an organizational chart showing the affiliations)

(a) Does any entity beneficially own, directly or indirectly, an interest of 10% or more in the BSTX Applicant-Firm? (check one) Yes No

(b) Does the BSTX Applicant-Firm own a beneficial interest, directly or indirectly, of 10% or more in any BOX Options Participant or BSTX Participant? (check one) Yes No

(c) Is the BSTX Applicant-Firm currently a BOX Options Participant? (check one) Yes No

11. BSTX Applicant-Firms is requested to provide the following supplemental information:

(a) A copy of the Applicant-Firm’s current Form BD.



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REGULATION

EXHIBIT 3A

BSTX
a tZERO-BOX Initiative

- (b) An organizational chart, including the names of BSTX Applicant-Firm's chief executive officer, chief financial officer, chief operating officer, and chief compliance officer.
- (c) A description of BSTX Applicant-Firm's proposed securities token trading activities on the BSTX Security Token Market as it pertains to the following: (Include a statement of the extent to which BSTX Applicant-Firm currently conducts such activities as a member of other SRO(s).)
1. Proprietary trading;
 2. Non-member broker/dealer executions;
 3. Engaging in business with non-broker/dealers
 4. Engaging in business with other broker/dealers
 5. MARKET MAKER;
 6. Other (Please explain: _____)
- (d) A description of the manner in which BSTX Applicant-Firm receives orders from customers such as electronically, via Internet or proprietary communication devices, and the process and/or systems used. Include basic diagrams to illustrate processes if necessary.
- (e) A description of the manner in which BSTX Applicant-Firm will send orders to BSTX, such as through an internet processing system or through a third party order routing service. Include basic diagrams if necessary.
- (f) Please provide a copy of BSTX Applicant-Firm's written supervisory procedures and information barrier procedures.

12. Supplemental Information for Market Maker Member BSTX Applicant-Firms. In addition to the information requested above, BSTX Applicant-Firms acting as Market Makers are requested to provide the following information:

- (a) A list of:
1. The office(s) from which BSTX Applicant-Firm will conduct BSTX market making activity;
 2. The individual(s) responsible for supervising such trading activity.

The undersigned represents that, to the best of their knowledge and belief, the foregoing statements are true and correct.

The undersigned recognizes that Applicant-Firm may be the subject of an investigative consumer report ordered by the Exchange, and hereby authorizes and consents to the Exchange obtaining such report.

(Signature of Authorized Officer)

(Date)



EXHIBIT 3A



(Print Name)

(Title)



- (a) List of the locations from which BSTX Applicant-Firm will conduct its BSTX market making activity;
- (b) List all designated trading representatives; and the address(es) from which they will conduct market making or other trading activities;
- (c) List individuals responsible for supervising such trading representatives (Responsible Person) and the U.S. based address(es) from which the supervision will take place.

6. Trading Representative Qualifications: Please provide the following information:

- (a) Copy of Form U4 for each of the trading representatives identified in section 5 above; and
- (b) Provide a brief description of the trading representative's qualifications
- (c) Please note that each trading representative must take an examination, submit to a new Market Maker orientation program (if required by the Exchange) and be approved by Exchange.

7. Supervisory Procedures: Please provide a copy of BSTX Applicant-Firm's written supervisory procedures for market making activities on BSTX.

8. BSTX Applicant-Firm's Capital:

Please provide the source and amount of BSTX Applicant-Firm's capital to support its market making activities on BSTX, and the source of any additional capital that may become necessary.

9. Other Business Activities:

If the BSTX Applicant-Firm will be conducting other business activities at the market making trading location(s), please provide:

- (a) A statement describing such activities; and
- (b) Copy of "Chinese Wall" procedures.

10. Authorization:

The undersigned agrees that he/she is authorized on behalf of BSTX Applicant-Firm to make this application to the Exchange.

The undersigned hereby agrees that the BSTX Applicant-Firm will abide by the Bylaws and Rules of the Exchange as they shall be amended from time to time.



The undersigned represents that, to the best of their knowledge and belief, the foregoing statements are true and correct.

The undersigned recognizes that Applicant-Firm may be the subject of an investigative consumer report ordered by the Exchange, and hereby authorizes and consents to the Exchange obtaining such report.

(Signature of Authorized Officer)

(Date)

(Print Name)

(Title)



BSTX PARTICIPANT AGREEMENT

Return to: BOX Exchange LLC (the “Exchange”)
 Attn: Membership
 101 Arch Street, Suite 610
 Boston, MA 02110
 Ph: (617) 235-2315
 Email: membership@boxregulation.com

BSTX Participant agrees to abide by the Rules of BOX Exchange LLC (the “Exchange”); applicable Bylaws and Rules of the Exchange, as amended from time to time, and all circulars, notices, interpretations, directives and/or decisions adopted by the Exchange.

BSTX Participant acknowledges that BSTX Participant and its associated persons are subject to the oversight and jurisdiction of the Exchange.

BSTX Participant authorizes the Exchange to make available to any governmental agency or self-regulatory organization (“SRO”) any information it may have concerning the BSTX Participant or its associated persons, and releases the Exchange from any and all liability in furnishing such information.

BSTX Participant acknowledges its obligation to update any and all information contained in any part of the BSTX Participant’s application, including termination of membership with another SRO.

Agreed to as of this _____ day of _____, 20__.

BSTX Participant

BOX Exchange LLC

 (Company Name)

By: _____
 (Signature)

 (Name and Title)

 (Street Address)



(City, State & Zip Code)



EXHIBIT 3C

BSTX USER AGREEMENT

Return to: BOX Exchange LLC (the “Exchange”)
 Attn: Membership
 101 Arch Street, Suite 610
 Boston, MA 02110
 Ph: (617) 235-2315
 Email: membership@boxregulation.com

AGREEMENT dated _____, 20__, by and between BOX Exchange LLC (the “Exchange”), a Delaware limited liability company, and _____ (“User”), collectively referred to herein as the “parties.”

WHEREAS, the Exchange operates an electronic market for the trading of security tokens (the “BSTX Security Token Market” or “BSTX”), which is a national securities exchange pursuant to Section 6(a) of the Securities Exchange Act of 1934; and

WHEREAS, provided that User is an approved BSTX Participant in good standing with the Exchange and has paid the requisite fees, the Exchange will provide User with access to the BSTX Security Token Market pursuant to these general terms and conditions.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants in this Agreement, the parties hereto agree as follows:

1. **TERM.**

This Agreement is for the term of one year from the date of execution and is automatically renewed on an annual basis unless cancelled by either party pursuant to the terms of this Agreement.

2. **EXCHANGE RULES.**

(a) ***Compliance with the Exchange Rules.*** User agrees that it will abide by the Rules of the Exchange, applicable Bylaws and Circulars, as amended from time to time, and all circulars, notices, interpretations, directives or decisions adopted by the Exchange and Boston Security Token Exchange LLC (“BSTX”) (collectively “Exchange Rules”), all applicable federal and state laws and regulations, and the rules and regulations of any applicable self-regulatory organization. User will familiarize all Authorized Persons with all of the User’s obligations under this Agreement and the Exchange Rules, and will assure that they receive appropriate training prior to any use or access to the BSTX Security Token Market and System.

(b) ***Monitoring.*** User acknowledges and agrees that the Exchange and BSTX will monitor the use of the BSTX Security Token Market by User for compliance with all applicable laws and

EXHIBIT 3C



regulations, including without limitation the Exchange Rules. User acknowledges its responsibility to monitor its employees, agents, and customers for compliance with the Exchange Rules, the rules and regulations of any self-regulatory organization of which User is a member and all applicable federal and state laws and regulations.

(c) **Integrity of BSTX Security Token Market.** User will not (i) materially alter the information or data supplied to or received from the System in violation of the Exchange Rules, (ii) materially affect the integrity of the information or data supplied to or received from the System, or (iii) supply or render information or data from the System that is illegal, inaccurate, unfair, uninformative, fictitious, misleading or discriminatory.

(d) **Non-Compliance.** User's right to access the BSTX Security Token Market and System may be denied or terminated, temporarily or permanently, forthwith at any time by the Exchange upon a determination that: (i) User or its Authorized Persons are in violation or has violated any material term of the Agreement, the Exchange Rules, the rules and regulations of any self-regulatory organizations of which User is a member, any federal and state laws and regulations; (ii) the User's right to operate is terminated by its self-regulatory organization or by the United States Securities and Exchange Commission; or (iii) the User or its Authorized Person are engaged in activities that the Exchange reasonably determines to be detrimental to the BSTX Security Token Market, BSTX Users, or the public.

3. ***RIGHTS AND OBLIGATIONS.***

(a) **BSTX System.** Pursuant to the terms and conditions of this Agreement, User shall have access to certain information, data, access, capabilities, functions, features, and software, which permits User to access and participate in the BSTX Security Token Market (collectively, the "System").

(b) **Restriction on Use: Security.** User may not sell, lease, furnish, or otherwise permit or provide access to the System or any information or data made available therein to any other entity or to any individual that is not User's employee or agent. Notwithstanding the foregoing, User may disclose BSTX Security Token Market information to its customers provided that such disclosure does not violate BSTX restrictions, any other related market data or transaction reporting restrictions, the Exchange Rules, the rules and regulations of any self-regulatory organizations of which User is a member and all applicable federal and state laws. User will maintain and keep current a list of all employees or agents who are authorized to access the BSTX System on behalf of the User (the "Authorized Persons"). User accepts full responsibility for its Authorized Persons use of the System, which use must comply with the Exchange Rules and the User's obligations under this Agreement. User will take reasonable security precautions to prevent unauthorized use or access to the System. User understands and agrees that User is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of User's Authorized Persons, and for the trading and other consequences thereof.

(c) **Fees.** User agrees to make timely payment of all fees payable to the Exchange and third parties arising from User's access to the BSTX Security Token Market.

4. ***CHANGE OF BSTX SECURITY TOKEN MARKET.***

EXHIBIT 3C



User acknowledges and agrees that nothing in this Agreement constitutes an understanding by the Exchange to continue the BSTX Security Token Market and System or any aspect of its current form. The Exchange may from time to time make additions, deletions or modifications to the BSTX Security Token Market or System. User acknowledges and agrees that the Exchange may temporarily or permanently, unilaterally condition, modify, or terminate the right of any individuals or entities to access, receive or use the BSTX Security Token Market and System in accordance with the Exchange Rules.

5. ***PROPRIETARY RIGHTS.***

User acknowledges and agrees that all proprietary rights in the BSTX Security Token Market and System are and shall remain the property of the Exchange and its third party licensors. User agrees that the Exchange will own all right, title and interest in the quotations and other transaction data and information of the BSTX Security Token Market.

6. ***INFORMATION.***

(a) ***Confidentiality.*** Both parties acknowledge that (i) the BSTX Security Token Market and the information and data made available therein, incorporate confidential and proprietary information developed, acquired by or licensed to the Exchange, including confidential information of the Exchange or other entities, and (ii) each party may receive or have access to the other proprietary or confidential information disclosed and marked as confidential by the disclosing party (collectively, the “Information”). The receiving party will use the disclosing party’s Information solely to perform its obligations under this Agreement. The receiving party will take all precautions necessary to safeguard the confidentiality of the disclosing party’s Information, including without limitation, (i) those taken by the receiving party to protect its own confidential information and (ii) those which the disclosing party may reasonably request from time to time.

(b) ***Disclosure.*** The receiving party will not disclose, in whole or in part, the disclosing party’s information to any person, except as specifically authorized under this Agreement. User may not disclose any data or compilations or data made available to User by the Exchange without the express, prior written authorization of the Exchange. User acknowledges that any and all information provided to the BSTX Security Token Market by the User will be disclosed to the Exchange for use in accordance with the Exchange Rules. User hereby consents to such disclosure. The Exchange may also disclose information in accordance with its regulatory obligations.

(c) ***Unauthorized Use or Disclosure.*** The parties acknowledge that any unauthorized use or disclosure of the disclosing party’s Information may cause irreparable damage to the disclosing party. If an unauthorized use or disclosure occurs, the receiving party will immediately notify the disclosing party and take at its expense all steps necessary to recover the disclosing party’s information and to prevent its subsequent unauthorized use or dissemination, including availing itself of actions for seizure and injunctive relief. If the receiving party fails to take these steps in a timely and adequate manner, the disclosing party may take them at the receiving party’s expense, and the receiving party will provide the disclosing party with its reasonable cooperation in such actions that the disclosing party may request.

(d) ***Limitation.*** The receiving party will have no confidentiality obligation with respect to any portion of the disclosing party’s Information that (i) the receiving party independently

EXHIBIT 3C

developed before receiving the Information from the disclosing party, (ii) the receiving party lawfully obtained from a third party under no obligation of confidentiality, (iii) is or becomes available to the public other than as a result of an act or omission of the receiving party or any of its employees or (iv) the receiving party is compelled to disclose pursuant to legal process provided by a court of competent jurisdiction or other governmental entity to whose jurisdiction the receiving party is subject.

7. DISCLAIMER OF WARRANTY.

THE BSTX SECURITY TOKEN MARKET AND SYSTEM ARE MADE AVAILABLE “AS IS” AND WITHOUT WARRANTY OR ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF TIMELINESS, TRUTHFULNESS, SEQUENCE, COMPLETENESS, ACCURACY, FREEDOM FROM ERRORS OR INTERRUPTION OR DEFECT, MERCHANTABILITY, FITNESS FOR PARTICULAR USE OR PURPOSE, OR NON-INFRINGEMENT AND ANY IMPLIED WARRANTIES ARISING FROM TRADE USAGE, COURSE OF DEALING OR COURSE OF PERFORMANCE).

8. LIMITATION OF LIABILITY.

USER UNDERSTANDS AND AGREES THAT : (i) THE EXCHANGE IS NOT DIRECTLY OR INDIRECTLY A PARTY TO OR PARTICIPANT IN ANY TRADE OR TRANSACTION ENTERED INTO OR OTHERWISE CONDUCTED THROUGH THE BSTX SECURITY TOKEN MARKET, AND (ii) THE EXCHANGE IS NOT LIABLE IN ANY MANNER TO ANY PERSON (INCLUDING WITHOUT LIMITATION THE USER AND ANY PERSON FOR WHOM THE USER IS AUTHORIZED TO TRADE OR ACT) FOR THE FAILURE OF ANY PERSON ENTERING INTO A TRADE OR TRANSACTION BY MEANS OF THE BSTX SECURITY TOKEN MARKET TO PERFORM SUCH PERSON’S SETTLEMENT OR OTHER OBLIGATIONS UNDER SUCH TRADE OR TRANSACTION. IF THIS PROVISION SHALL BE DEEMED TO CONFLICT WITH ANY OTHER PROVISION OF THIS AGREEMENT, THEN THIS PROVISION SHALL SUPERSEDE SUCH OTHER PROVISION.

9. INDEMNIFICATION.

USER AGREES TO INDEMNIFY, DEFEND AND HOLD THE EXCHANGE, ITS AFFILIATES, THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LOSSES, COSTS, AND EXPENSES, OBLIGATIONS, LIABILITIES, DAMAGES, RECOVERIES, AND DEFICIENCIES, INCLUDING INTEREST, PENALTIES, AND ATTORNEY’S FEES, ARISING FROM OR AS A RESULT OF USER’S BREACH OF ITS OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE FROM ITS USE OF THE BSTX SECURITY TOKEN MARKET OR SYSTEM.

10. TERMINATION.

Notwithstanding any other provision of this Agreement to the contrary: (i) the Exchange may terminate this Agreement if the User breaches any material term of the Agreement and fails to cure such breach within ten (10) days after written notice thereof from the Exchange; and (ii) the Exchange may suspend User’s access to the System immediately, on written notice to the User, if the Exchange reasonably believes that such breach or activity poses substantial risk to the BSTX Security Token Market or its

EXHIBIT 3C



users. Such action shall be instituted under, and governed by, the Exchange Rule 11000 Series (Summary Suspensions) and Rule 12000 Series (Discipline) and may be appealed by the User under the Exchange Rule 13000 Series regarding Review of Certain Exchange Actions. The User may terminate this Agreement upon providing the Exchange thirty (30) days notice in writing. Upon termination of this Agreement for any reason, all rights granted to User hereunder will cease. In no event will termination of this Agreement relieve User of any obligation incurred through its use of the BSTX Security Token Market. The provisions of Sections 5, 6, 8, and 9 will survive the termination or expiration of this Agreement for any reason.

11. ASSIGNMENT.

User shall not assign, delegate, or otherwise transfer this Agreement or any of its rights or obligations hereunder without the Exchange’s prior approval. The Exchange may assign or transfer this Agreement or any of its rights or obligations hereunder to a related or unrelated party upon notice to User.

12. MISCELLANEOUS.

All notices or approvals required or permitted under this Agreement must be given in writing to the address specified above. Any waiver or modification of this Agreement will not be effective unless executed in writing and signed by the other party. The substantive laws of the Commonwealth of Massachusetts shall govern this Agreement. All disputes, claims or controversies between the parties related to User’s use of the BSTX Security Token Market shall be resolved in accordance with the applicable Exchange Rules, all applicable federal and state laws and regulations, and the rules and regulations of any applicable securities self-regulatory organization. All non-regulatory disputes, claims or controversies between the parties related to the interpretation of this Agreement shall be submitted to arbitration pursuant to the rules of the American Arbitration Association; provided, however, that nothing herein will prevent the Exchange from seeking interim injunctive relief in any court of competent jurisdiction. If any provision of this Agreement is to be held unenforceable, in whole or in part, such holding will not affect the validity of the other provisions of this Agreement. This Agreement, together with the applicable Exchange Rules constitutes the complete and entire statement of all conditions and representations of the agreement between the Exchange and User with respect to its subject matter and supersedes all prior writings or understandings.

Agreed to as of this _____ day of _____, 20__.

User

BOX Exchange LLC

 (Company Name)

By: _____
 (Signature)

 (Name and Title)



(Street Address)

(City, State & Zip Code)



**BSTX SECURITY TOKEN MARKET
DESIGNATED MARKET MAKER SELECTION**

In accordance with BOX Exchange LLC Rules for Selecting a Designated Market Maker (“DMM”), we have interviewed each DMM from the pool we chose and have selected _____ to make the market in the Company’s security token on the BSTX Security Token Market.

Signature (Corporate Secretary or higher) _____
Date

Title

Company

* This form is to be submitted to the Exchange staff within two (2) business days after DMM Interviews have been completed. If trading of the Company’s shares is to occur the same week as the DMM Interviews, the Company must submit this decision form on the day prior to trading, at the latest.

** This form is only required if a Company intends to request a DMM make a market in their security token listed on the BSTX Security Token Market.



**BSTX PARTICIPANT CLEARING AUTHORIZATION
(NON-MARKET MAKER)**

BSTX Clearing Member

BSTX Executing Participant

In connection with the qualification of the above referenced BSTX Executing Participant on BOX Exchange LLC (the “Exchange”), the undersigned Carrying BSTX Participant of an Approved Settlement Provider (“BSTX Clearing Member”) accepts financial responsibility for all transactions on the BSTX Security Token Market made by the above named BSTX Executing Participant.

The BSTX Clearing Member guarantees and assumes financial responsibility for such transactions on the Exchange even if the orders, bids, offers, or other messages transmitted to the Exchange by the BSTX Executing Participant (i) were entered as a result of a failure in applicable security and/or credit controls, (ii) were entered by an unknown or unauthorized user, or (iii) exceed the Clearing BSTX Member’s credit parameters.

This letter shall be deemed a letter of guarantee, letter of authorization, or notice of consent and may be relied upon by the Exchange. This letter shall remain in effect until a written notice of revocation has been filed with the Exchange. The BSTX Clearing Member shall submit a written notice of revocation to the Exchange, and advise the Exchange’s contact person by telephone of the revocation. Upon receipt of such notice, the Exchange shall cancel/purge any unexecuted/pending orders and prevent any new orders from being sent. Such a revocation notice shall be deemed filed and effective when an email is sent by the BSTX Clearing Member to the email address designated by the Exchange, and the Exchange confirms that the BSTX Participant has been suspended in the system. A revocation shall in no way relieve the BSTX Clearing Member of responsibility for transactions guaranteed prior to the effective time of such revocation.

Name of Authorized Signatory of the
BSTX Clearing Member

Title

Signature of Authorized Signatory of the
BSTX Clearing Member

Date

Email and Phone Number



**BSTX PARTICIPANT CLEARING AUTHORIZATION
(MARKET MAKER)**

BSTX Clearing Member

BSTX Executing Participant

The BSTX Executing Participant mentioned above has represented to the undersigned Clearing Member of the Approved Settlement Provider (“BSTX Clearing Member”), that it is a registered BSTX Participant of BOX Exchange LLC (the “Exchange”) with full trading rights including trading for its own account, acting as Market Maker, and submitting and executing orders as agent on behalf of customers on the BSTX Security Token Market.

Pursuant to the trading of the above referenced BSTX Executing Participant, the undersigned BSTX Clearing Member accepts financial responsibility for all transactions made by the above-referenced BSTX Executing Participant when clearing such transactions through the undersigned BSTX Clearing Member.

This letter shall be deemed a letter of guarantee, letter of authorization, or notice of consent and may be relied upon by the Exchange. This letter shall remain in effect until a written notice of revocation has been filed with the Exchange. The BSTX Clearing Member shall submit a written notice of revocation to the Exchange and advise the Exchange’s contact person by telephone of the revocation. Upon receipt of such notice, the Exchange shall cancel/purge any unexecuted/pending orders and prevent any new orders from being sent. Such a revocation notice shall be deemed filed and effective when an email is sent by the BSTX Clearing Member to the email address designated by Exchange, and the Exchange confirms the BSTX Participant has been suspended in the System. A revocation shall in no way relieve the BSTX Clearing Member of responsibility for transactions guaranteed prior to the effective time of such revocation.

Name of Authorized Signatory of
the BSTX Clearing Member

Title

Signature of Authorized Signatory of
the BSTX Clearing Member

Date

Email and Phone Number



Draft
 Final

BOX EXCHANGE ORIGINAL LISTING APPLICATION FOR SECURITY TOKENS LISTED ON THE BSTX SECURITY TOKEN MARKET

Instructions: Please complete each part of the form and return to BOX Exchange LLC to list Security Tokens on the BSTX Security Token Market.

Part I: Corporate Information

A. General Corporate Information

Complete Legal Corporate Name: _____

Address of Principal Executive Offices: _____

Company Telephone No.: _____

Contact Name and Title: _____

Contact Telephone No.: _____

Contact Email: _____

State and Country of Incorporation: _____

Date of Incorporation: _____

EDGAR CIK No.: _____

SEC '34 Act File No.: _____

Foreign Private Issuer (yes/no): _____

Website address: _____



SIC Code: _____

CUSIP No. of Security(s) Being Listed: _____

Date of Fiscal Year End: _____

B. Corporate Contacts

Please list the full name, full title (if different from that indicated), address (if different from principal address above), telephone number and email address of the following individual(s):

Chief Executive Officer: _____

Chief Financial Officer: _____

Corporate Secretary: _____

General Counsel: _____

Investor Relations Officer: _____

Other Designated Contact: _____



Part II: Security Token Information

A. Security Token(s) which the Applicant Issuer is applying to list (including par/stated value, warrant expiration date, maturity date, etc.):

Security Token Class/Type	Issue Description (incl. par value)	Security Tokens Outstanding or Offered	Total Security Tokens Unissued, but Reserved for issuance*

*As of _____ (date), the following number of security tokens are unissued, but have been authorized for issuance by the Applicant Issuer’s governing body for the purposes noted:

Date Authorized	Purpose of Security Tokens to be Issued	Number of Security Tokens Authorized

* Please note that Exchange’s rules require that, at such date in the future that any currently unissued but authorized security tokens are issued, the Applicant Issuer must file a supplemental listing application to list such security tokens.

Record date of the most recent dividend paid with respect to the security tokens:



Payment date of the most recent dividend paid with respect to the security tokens:

Amount per security token of the most recent dividend paid with respect to the security tokens:

Are there any declared but unpaid dividends with respect to the security tokens:

What is the record date for any such unpaid dividend:

What is the payment date of any such unpaid dividend:

What is the amount per security token of any such unpaid dividend:

Provide a description of any outstanding rights to subscribe to security tokens:

If a record date is to be set in the near future for any purpose, please provide the anticipated date of the record date and the reason the record date is being established.

B. Transfer Agent/Registrar:

Name: _____

Address: _____

Phone No.: _____ Facsimile No.: _____ Email: _____



C. Outside Counsel Contact with Respect to Listing Application, if any:

Name of Contact Person: _____

Firm Name: _____

Address: _____

Phone No.: _____

Email: _____

D. Security Preferences

If the Applicant Issuer has any existing class of common stock or equity security entitling the holder(s) to differential voting rights, dividend payments, or other preferences, please provide a complete description of such preference(s):



Part III: Type of Security Token Listing

A. Listing in Connection with an Issuance of Security Tokens on the BSTX Security Token Market

Please indicate the type of transaction:

- Initial Security Token Offering Merger Spin-off
- Follow On Offering Reorganization
- Exchange Offer Conversion
- Other (please specify): _____

If spin-off, please provide name of parent entity: _____

Will the security token(s) to be listed trade on a “when issued” basis? Yes No Expected closing date of the transaction: _____

Expected listing date: _____

Investment Banker/Financial Advisor Contact(s), if any

Name of Contact Person: _____

Firm Name: _____

Address: _____

Phone No.: _____ Email: _____

B. Listing in Connection with a Transfer or Quotation

Name of current trading market, if any: _____

Current ticker symbol, if any: _____



Part IV: Additional Information

A. Exchange Requirements for Listing Consideration

To be considered for listing, the Applicant Issuer must meet the Exchange's minimum listing requirements. The Exchange has broad discretion regarding the listing of any security token. Thus, the Exchange may deny listing or apply additional or more stringent criteria based on any event, condition, or circumstance that makes the listing of an Applicant Issuer's security token inadvisable or unwarranted in the opinion of the Exchange. Such determination can be made even if the Applicant Issuer meets the Exchange's listing standards for listing on the BSTX Security Token Market. In connection with the review of any listing application, the Exchange reserves the right to request such additional public or non-public information or documentation as it may deem necessary and appropriate to make a determination regarding the listing eligibility of the Applicant Issuer's security token, including, but not limited to, any material provided to or received from the Securities and Exchange Commission or other appropriate regulatory authority.

B. Regulatory Review

The Applicant Issuer must provide the Exchange with a letter signed by an executive officer of the company, certifying that, to the company's knowledge, no officer*, board member, or non-institutional shareholder with greater than 10% ownership of the company has been convicted of a felony or misdemeanor relating to financial issues (e.g., embezzlement, fraud, theft) during the past ten years. To the extent that an officer, board member, or non-institutional shareholder with greater than 10% ownership of the company has been so convicted, provide a detailed description of all such matters. In addition to reviewing this letter, the Exchange will review background materials available to it regarding the aforementioned individuals as part of the eligibility review process.

*As such term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, or any successor rule.



Part V: Attestation

I, _____, as _____

Name of Authorized Executive Officer Title of Authorized Executive Officer

of _____, do hereby
Full Name of Company

attest that, at the time of the filing of this application, the Applicant Issuer is deemed to have read and understood the Exchange’s listing and corporate governance rules and requirements and, if approved for listing, intends to comply with all applicable listing and corporate governance rules and requirements on an ongoing basis. Further, I certify that to the best of my knowledge and belief, the information contained within this application and any materials provided to the Exchange in support of this application are true and correct.

Signature of Authorized Executive Officer

Date



ADDITIONAL LISTING APPLICATION FOR THE BSTX SECURITY TOKEN MARKET

Section I Company and Issue Description

Company Name: _____

Address: _____

City, State, Zip Code: _____

Company Contact – Name and Title: _____

Telephone #: _____

E-mail: _____

Listed Security Token: _____ Trading Symbol: _____

Total security tokens issued and outstanding: _____ as of _____

Security tokens held in treasury: _____ as of _____

Section II Transaction Details

The Company hereby makes application to BOX Exchange LLC for the additional listing of the following security tokens on the BSTX Security Token Market:

Security Tokens ¹	Purpose ²	Date of Board Authorization	Date of Shareholder Authorization (if applicable)	Anticipated Date of Issuance
Total Security Tokens				

¹ For a forward security token split or security token dividend, make application for the difference between the security tokens issued and outstanding (i) prior to the split/dividend and (ii) after the split/dividend. (Note: any security tokens listed in Line 2 of the Reconciliation Sheet will automatically be affected by the factor of the split/dividend.) For listing of any ad hoc security tokens in connection with a dividend payment on a preferred security token or stock (or notes), those security tokens should be listed in the Security Token column. For any substitution listing (e.g., reverse split, reincorporation or reorganization) the security tokens should be listed as “N/A”.

² For example, acquisition, private placement, option plan, security token split, inducement grant, etc.



Section III Insider Participation and Future Potential Issuances

Does any Director, Officer or principal shareholder of the Company have a direct or indirect interest in transactions?
 Yes No

Does the transaction potentially require the Company to issue any security tokens in the future above the amount currently applied for? (For example for an earn-out, price protection, or reset provision.)

Yes No

** If yes provide complete details in the space below of such insider interest along with Audit Committee minutes (if applicable) and/or of such future potential issuance(s).*

Section IV Information for a Technical Original Listing³

Check all applicable categories

Effective Date

Reverse Security Token Split Ratio of _____ -for- _____

Change in state of incorporation from _____ to _____

Other (please describe briefly)

Does the transaction require the turn-in of listed security tokens? Yes No

Section V Information for a Forward Security Token Split or Security Token Dividend

Forward Security Token Split Ratio: _____ -for- _____

³ Technical Original Listing is a change in the company's status technical in nature and the shareholders of the original company receive or retain a security token-for-security token interest in the new company without any change in their equity position or rights.



Or

security token Dividend per security token: _____%

Record Date: _____ Payment Date: _____

Complete the Reconciliation Sheet for any forward or reverse stock security token or security token dividend (See attached Appendix A).

Section VI Attachments and Signature

The following Company documents are incorporated by reference into this Additional Listing Application. If any such documents are filed via EDGAR, then indicate under what cover they are filed, the filing date and the exhibit number:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____

The Company hereby applies for the listing of the above mentioned additional security tokens and the undersigned hereby certifies that the statements made herein, and the papers and exhibits submitted in support hereof are, to the best of such person’s knowledge and belief, true and correct.

Name: _____

Title: _____

Date Submitted: _____

Signature: /s/ _____



Appendix A: Reconciliation for Technical Original Listing

Complete the following table with listed and unlisted security token amounts. Use estimates where needed to account for option exercises, etc. between the record date and the effectiveness of the split, dividend or substitution.

1. Security tokens issued and outstanding after the technical original event: _____

Listed Reserves previously approved for listing on the BSTX Security Token Market by BOX Exchange LLC

Include security tokens underlying option plans, warrants, or other convertible instruments that have been previously approved for listing on the BSTX Security Token Market by BOX Exchange LLC. Derivatives previously exercised (or partially exercised) should be netted out since they are included in line 1.

Purpose	Amount Before Technical Original	Amount After Technical Original

2. Total Listed Reserves after Technical Original: _____
3. Add lines 1 and line 2 together: _____

Unlisted Reserves not yet approved by BOX Exchange LLC:

If the Company has not yet listed security tokens reserved for future issuance (e.g., security tokens underlying newly created option plans, warrants or other convertible instruments), please complete the following table.

Purpose	Amount Before	Amount After

4. Total Unlisted Reserves after Technical Original: _____
5. Total authorized for issuance by the Company (add lines 3 and 4): _____



CHECKLIST FOR ORIGINAL LISTING APPLICATION

Company: _____

- ___ Listing Application
- ___ Listing Agreement
- ___ Corporate Governance Affirmation
- ___ BSTX Security Token Design Affirmation
- ___ Underwriter's Letter (for Initial Security Token Offering)
- ___ SEC Form ___ (8-A, 10, 40-F, 20-F)
- ___ Other: _____



BSTX SECURITY TOKEN MARKET LISTING AGREEMENT

_____ (the "Company"), in consideration of the listing of its security tokens on the BSTX Security Token Market, hereby agrees, with BOX Exchange LLC (the "Exchange") that:

- (1) The Company certifies that it will comply with all Exchange rules, policies, and procedures that apply to listed companies as they are now in effect and as they may be amended from time to time, regardless of whether the Company's organization documents would allow for a different result.
- (2) The Company shall notify the Exchange at least twenty (20) days in advance of any change in the form or nature of any listed security tokens or in the rights, benefits, and privileges of the holders of such security tokens.
- (3) The Company understands that the Exchange may remove its security tokens from listing on the BSTX Security Token Market, pursuant to applicable procedures, if it fails to meet one or more requirements of Paragraphs 1 and 2 of this agreement.
- (4) In order to publicize the Company's listing on the BSTX Security Token Market, the Company authorizes the Exchange to use the Company's corporate logos, Web site address (URL): _____, trade names, and trade/service marks in order to convey quotation information, transactional reporting information, and other information regarding the Company in connection with the Exchange. In order to ensure the accuracy of the information, the Company agrees to provide the Exchange with the Company's current corporate logos, Web site address, trade names, and trade/service marks and with any subsequent changes to those logos, trade names and marks. Questions regarding logo usage should be directed to: _____ at (____) ____ - ____.
- (5) The Company indemnifies the Exchange and holds it harmless from any third-party rights and/or claims arising out of use by the Exchange or, any affiliate or facility of the Exchange ("Corporations") of the Company's corporate logos, Web site address, trade names, trade/service marks, and/or the trading symbol used by the Company.
- (6) The Company warrants and represents that the trading symbol to be used by the Company does not violate any trade/service mark, trade name, or other intellectual property right of any third party. The Company's trading symbol is provided to the Company for the limited purpose of identifying the Company's security in authorized quotation and trading systems. The Exchange reserves the right to change the Company's trading symbol at the Exchange's discretion at any time.
- (7) The Company agrees to furnish to the Exchange on demand such information concerning the Company as the Exchange may reasonably request.
- (8) The Company agrees to pay when due all fees associated with its listing of security tokens on the BSTX Security Token Market, in accordance with the Exchange's rules.
- (9) The Company agrees to file all required periodic financial reports with the SEC, including annual reports and, where applicable, quarterly or semi-annual reports, by the due dates established by the SEC.

EXCHANGE WARRANTIES; DISCLAIMERS OF WARRANTIES:



For any goods or services provided to Company, the Exchange shall endeavor to provide them in a good and workmanlike manner. Beyond the warranties stated in this section, there are no other warranties of any kind, express, implied or statutory (including the implied warranties of merchantability or fitness for a particular use or purpose).

LIMITATION OF CORPORATIONS' LIABILITY:

- (1) In no event will the Corporations be liable for trading losses, losses of profits, indirect, special, punitive, consequential, or incidental loss or damage, even if the Corporations have been advised of the possibility of such damages.
- (2) If the Corporations are held liable, the liability of the Corporations is limited:
 - (a) for goods and services for which the Company is specifically charged, to the amount paid by Company for those goods or services during the twelve months preceding the accrual of the claim; and
 - (b) in all other instances, to the amount of the annual listing fee paid by the Company during the twelve months preceding the accrual of the claim.
- (3) For goods and services provided under a separate written agreement, the limitation of liability provisions in that agreement shall govern any claims relating to or arising from the provision of those goods and services.
- (4) This subsection shall not relieve the Corporations from liability for damages that result from their own gross negligence or willful tortious misconduct, or from personal injury or wrongful death claims.
- (5) The Corporations shall not be liable for any third parties' goods or services.
- (6) The Company agrees that these terms reflect a reasonable allocation of risk and limitation of liability.

I have been authorized by the Company and have the legal authority to provide information on the Company's behalf; to the best of my knowledge and belief, the information provided is true and correct as of this date; and the Company will promptly notify the Exchange of any material changes.

By: _____
 SIGNATURE OF DULY AUTHORIZED
 REPRESENTATIVE

Dated: _____

 PLEASE PRINT NAME AND TITLE



BSTX SECURITY TOKEN MARKET COMPANY CORPORATE GOVERNANCE AFFIRMATION

Company Name: _____

Symbol: _____

Type of Affirmation: Initial¹ Annual

Notice of Non-compliance: Yes² No

Part I.

INSTRUCTIONS: Please provide BOX Exchange LLC with the following information for each director currently serving, or who will be serving as of the day of listing on the BSTX Security Token Market, on the Company’s board of directors. Please indicate with a “X” whether a director serves on the Company’s audit committee, compensation committee or nominating committee.

Please include an asterisk (*) next to the name of each director that has been deemed independent for purposes of Rule 10A-3 (“Rule 10A-3”) of the Securities Exchange Act of 1934 (the “Exchange Act”) and service on the Company’s audit committee.

Director Name	Board Class	Term Ends	Rule 26803A Ind. (Y/N)	AC ³	CC ⁴	NC ⁵

¹ Companies that are submitting an Initial Affirmation must be compliant in all areas, subject to applicable transition period
² If this document is serving as a non-compliance notification to the Exchange it must be executed by the Company’s CEO.
³ Serves on the Audit Committee
⁴ Serves on the Compensation Committee
⁵ Serves on the Nominating/Corporate Governance Committee



Part II.



INSTRUCTIONS: Please check only one box that best describes the Company:

- Lists equity security tokens on the BSTX Security Token Market and does not fit any of the other categories listed below

- Qualifies as a controlled company
- Is a limited partnership
- Is in bankruptcy
- Is a smaller reporting company

Part III.

INSTRUCTIONS: Companies listed on the BSTX Security Token Market must comply with the corporate governance requirements set forth in the Rule 26800 Series of the Exchanges Rulebook. In response to each item below, please check the box beside the single affirmation that is most applicable to the Company. Please note, depending on the affirmation made, an item may require the Company to provide additional information or a link to the applicable document referenced therein. Please also note that specific types of entities may avail themselves of exemptions to, or transition periods for, compliance with certain of the requirements. If the Company is availing itself of any of these exemptions or transition periods, it should select the corresponding affirmation for the applicable item.

1. Director Independence: Rule 26802(a) and Rule 26803A

- I hereby certify that the Company's board of directors is comprised of a majority of independent directors as required by Rule 26802(a) and defined in Rule 26803A.

- For smaller reporting companies only:** I hereby certify that the Company qualifies as a smaller reporting company under Rule 12b-2 of the Exchange Act and its board of directors is comprised of at least 50% independent directors as required by Rule 26802(a) and defined in Rule 26803A.

- For companies relying on the transition period provided for in Rule 26809:** I hereby certify that the Company is entitled to rely, and is relying, on the one year transition period provided for in Rule 26809. I further hereby certify that the Company's board of directors will be comprised of a majority of independent directors as required by Rule 26802(a) and defined in Rule 26803A (or 50% independent in the case of a smaller reporting company as required by Rule 26801(h)) by the end of the one year transition period.

EXHIBIT 3K



For limited partnerships, controlled companies, and companies that are in bankruptcy only: I hereby certify that the Company is exempt from this requirement.

The Company is unable to make one of the affirmations set forth in this Item 1 and is therefore non-compliant for the following reason: _____

2. Board of Directors Meetings / Executive Sessions: Rule 26802(c)

I hereby certify that the Company's Board of Directors meets (or will meet, in the case of an Initial Affirmation) on at least a quarterly basis. I further hereby certify that the independent directors have, or will have (in the case of an Initial Affirmation), regularly scheduled meetings as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management as required by Rule 26802(c).

The Company is unable to make one of the affirmations set forth in this Item 2 and is therefore non-compliant for the following reason: _____

3. Nominating Committee: Rule 26804

I hereby certify that board of director nominations are selected, or recommended for the board's selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors in conformity with Rule 26804(a) and that the Company has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

For companies relying on the transition period provided for in Rule 26809: I hereby certify that the Company is entitled to rely, and is relying, on the transition period provided for in Rule 26809 and that the Company will be in full compliance at the end of the transition period. I further hereby certify that the Company's nominating committee (or board of directors) has a written charter or board resolution that meets the requirements of Rule 26804.

For companies relying on the exception provided for in Rule 26804(b): I hereby certify that board of director nominations are selected, or recommended for the board's selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors in conformity with Rule 26804(a) and that the Company has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws. I further hereby certify that the Company is entitled to rely, and is relying, on the



exception provided for in Rule 26804(b) and the board has made, or will make, the requisite disclosures of its reliance on the exception provided for in Rule 26804(b).

For limited partnerships, controlled companies, and companies that are in bankruptcy only: I hereby certify that the Company is exempt from this requirement.

The Company is unable to make one of the affirmations set forth in this Item 3 and is therefore non-compliant for the following reason: _____

4. Compensation Committee: Rule 26805

I hereby certify that the compensation of the Company's officers is determined, or recommended to the board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors in conformity with Rule 26805(a). I further hereby certify that the board has affirmatively determined that *all* of the members of the compensation committee or, in the case of a company that does not have a compensation committee, *all* of the independent directors, are independent under Rule 26805(c)(1).

For smaller reporting companies only: I hereby certify that the compensation of the Company's officers is determined, or recommended to the board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors in conformity with Rule 26805(a). I further hereby certify that the Company qualifies as a smaller reporting company under Rule 12b-2 of the Exchange Act and is therefore exempt from compliance with the independence requirements set forth in Rules 26805(c)(1) and 26805(c)(4).

For smaller reporting companies relying on the exception provided for in Rule 26805(b): I hereby certify that the compensation of the Company's officers is determined, or recommended to the board for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors in conformity with Rule 26805(a), subject to the exception provided for in Rule 26805(b). I further hereby certify that the Company is entitled to rely, and is relying, on the exception provided for in Rule 26805(b) and that the board has made, or will make, the requisite disclosures of its reliance on the exception provided for in Rule 26805(b).

For companies relying on the transition period provided for in Rule 26809: I hereby certify that the Company is entitled to rely, and is relying, on the transition period provided for in Rule 26809 and that the Company will be in full compliance at the end of the transition period.

For limited partnerships, controlled companies, and companies that are in bankruptcy only: I hereby certify that the Company is exempt from this requirement.

EXHIBIT 3K



- The Company is unable to make one of the affirmations set forth in this Item 4 and is therefore non-compliant for the following reason: _____

5. Audit Committee: Rule 26803B

- I hereby certify that (i) the Company has an audit committee of at least three members, each of whom satisfies the independence standards specified in Rule 26803A and Rule 10A-3 of the Exchange Act (or is exempt therefrom) in conformity with Rule 26803B and (ii) such audit committee has a written charter that meets the requirements of Rule 26803B(1). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is “financially sophisticated” as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.
- For smaller reporting companies only:** I hereby certify that (i) the Company has an audit committee of at least two members, each of whom satisfies the independence standards specified in Rule 26803A and Rule 10A-3 of the Exchange Act (or is exempt therefrom) in conformity with Rule 26803 and (ii) such audit committee has a written charter that meets the requirements of Rule 26803B(1). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is “financially sophisticated” as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.
- For companies that are relying on the exception provided for in Rule 26803B(2)(b) (not available to those that are smaller reporting companies):** I hereby certify that the Company has an audit committee of at least three members, each of whom satisfies the independence standards specified in Rule 26803A and Rule 10A-3 of the Exchange Act (or is exempt from) in conformity with Rule 26803B, subject to the exception provided for in Rule 26803B(2)(b). The Company’s audit committee has a written charter that meets the requirements of Rule 26803B(1). The board has made, or will make, the requisite disclosures of its reliance on the exception provided for in Rule 26803B(2)(b). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is “financially sophisticated” as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.

EXHIBIT 3K



For companies relying on the transition period provided for in Rule 26809: I hereby certify that the Company is entitled to rely, and is relying, on the transition period provided for in Rule 26809 and that the Company will be in full compliance by the end of the transition period. I further hereby certify that the audit committee has a written charter that meets the requirements of Rule 26803B(1). I further hereby certify that (i) each member of the audit committee is able to read and understand fundamental financial statements, (ii) at least one member of the audit committee is “financially sophisticated” as described in Rule 26803B(2)(iii), (iii) no audit committee member has participated in the preparation of the financial statements of the Company or any current subsidiary thereof within the past three years, and (iv) the audit committee meets on at least a quarterly basis.

The Company is unable to make one of the affirmations set forth in this Item 5 and is therefore non-compliant for the following reason: _____

6. For those companies relying on an individual or company exemption from the independence requirements of Rule 10A-3(b)(1) in Item 5, above, please identify and briefly describe the basis for such exemption below. If not relying on any such exemption, please indicate “N/A” below.

7. Code of Conduct and Ethics: Rule 26807

I hereby certify that the Company has adopted a code of conduct and ethics that complies with Rule 26807.

The Company is unable to make one of the affirmations set forth in this Item 7 and is therefore non-compliant for the following reason: _____

8. Other Non-Compliance: The Rule 26800 Series

Apart from any non-compliance specific to the preceding sections, the Company is non-compliant with the Rule 26800 Series for the following reason: _____

EXHIBIT 3K



I am an authorized officer at the Company and have the legal authority to provide the information and make the affirmations contained herein. I hereby certify that all information contained herein is true and correct to the best of my knowledge as of the date hereof.

Name: _____

Title: _____

Date submitted: _____

Telephone number: _____

E-mail address: _____

Signature: /s/ _____

Note: The Company's Chief Executive Officer is required to separately complete and submit the Annual CEO Certification which is not applicable at time of initial listing.



**SECURITY TOKEN DESIGN AFFIRMATION FOR
THE BSTX SECURITY TOKEN MARKET**

Company Name: _____

Symbol: _____

INSTRUCTIONS: Please provide BOX Exchange LLC with the following information on the Company’s security token that will be listed on the BSTX Security Token Market. Pursuant to Exchange Rule 26138, for a security token to be admitted to dealings on the BSTX Security Token Market, such security token must meet the requirements of the BSTX Security Token Protocol. To verify that an Issuer’s security tokens meet the requirement of the BSTX Security Token Protocol, the Company must fill in the information below.

Security Token protocol (e.g., ERC-20, ERC-884): _____

Please provide details on all additional restrictions and functionality of the Company’s security token:

I am an authorized officer at the Company and have the legal authority to provide the information and make the affirmations contained herein. I hereby certify that all information contained herein is true and correct to the best of my knowledge as of the date hereof. I agree to provide any additional information that may be required for the Exchange to verify that the Company’s security token meets the requirements of the BSTX Security Token Protocol.

Name: _____

Title: _____

Date submitted: _____

Telephone number: _____

E-mail address: _____

Signature: /s/ _____



SAMPLE UNDERWRITER’S LETTER

(To be provided on underwriter’s letterhead)

DATE

Mr./Ms. _____
 BOX Exchange LLC
 101 Arch Street, Suite 610
 Boston, MA 02110

Re: _____ (Company Name) _____

Dear Mr./Ms. :

We are acting as representatives of the underwriters in connection with _____ (the “Company”) initial security token offering of (number and issue). We are currently organizing a syndicate to include approximately _____ securities firms to underwrite and distribute the issue.

We understand that the BSTX Security Token Market listing criteria of BOX Exchange LLC (the “Exchange”) with respect to a public offering in excess of four hundred thousand (issue) requires a minimum of 640 public security token holders, or an offering in excess of eight hundred thousand (issue) requires a minimum of 320 public security token holders.

We can assure the Exchange that the distribution of the Company’s (issue) in its initial security token offering will satisfy or exceed the distribution requirements described above for listing on the BSTX Security Token Market. We will achieve these criteria by using our own retail sales offices, our institutional department, and the underwriting syndicate currently being organized.

We further agree that we will provide written notice (including a list of purchasers) to the Exchange, within five (5) days of the commencement of trading in the Company’s security tokens, that this requirement has been satisfied.

Very truly yours,

By: _____
 SIGNATURE

 PLEASE PRINT NAME AND TITLE

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17000 – GENERAL PROVISIONS OF BSTX¹**17000. Definitions**

- (a) With respect to the Rules contained in Rule 17000 Series to Rule 25200 Series below, relating to the trading of security tokens on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Rule 17000 Series, unless otherwise defined below.
- (1) The term “**Act**” or “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
 - (2) The term “**adverse action**” means any action taken by the Exchange which affects adversely the rights of any Participant, applicant for membership, or any person associated with a Participant (including the denial of membership and the barring of any person from becoming associated with a Participant) and any prohibition or limitation by the Exchange imposed on any person with respect to access to services offered by the Exchange, or a Participant thereof. This term does not include disciplinary actions for violations of any provision of the Act or the rules and regulations promulgated thereunder, or any provision of the By-Laws or Exchange Rules or any interpretation thereof or resolution or order of the Board or appropriate Exchange committee which has been filed with the Commission pursuant to Section 19(b) of the Act and has become effective thereunder. Review of disciplinary actions is provided for in the Rule 12000 Series of the Exchange Rules.
 - (3) The term “**Affiliate**” means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise with respect to such Person. A Person is presumed to control any other Person, if that Person: (i) is a director, general partner, or officer exercising executive responsibility (or having similar status or performing similar functions); (ii) directly or indirectly has the right to vote 25 percent or more of a class of voting security or has the power to sell or direct the sale of 25 percent or more of a class of voting securities of the Person; or (iii) in the case of a partnership, has contributed, or has the right to receive upon dissolution, 25 percent or more of the capital of the partnership.
 - (4) The term “**Approved Settlement Provider**” means: (i) a registered clearing agency or clearing agency exempt from registration pursuant the Exchange Act; (ii) a transfer agent registered pursuant to the Exchange Act; or (iii) other entity,

¹ All text in Exhibit 5A is new. Underlining has been omitted throughout to improve readability.

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in the Exchange's discretion, that may lawfully provide such functions.

- (5) The term "**approved person**" means a person (excluding a member, principal executive or employee of a member organization, or governmental entity) who controls a Participant, is engaged in a securities or kindred business that is controlled by a Participant or a Participant's affiliates, or is a U.S. registered broker-dealer under common control with a member organization. "Governmental entity" means a sovereign nation, state, or territory, or other political subdivision, agency, or instrumentality thereof.
- (6) The term "**associated person**" or "**person associated with a Participant**" or "**person associated with a BSTX Participant**" means any partner, officer, director, or branch manager of such Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Participant or any employee of such Participant, except that any person associated with a Participant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.
- (7) The term "**bid**" means a limit order to buy one or more security tokens.
- (8) The term "**broker**" shall have the same meaning as in Section 3(a)(4) of the Act.
- (9) The term "**BSTX**" means the facility of the Exchange for executing transactions in security tokens.
- (10) The term "**BSTX Book**" means the electronic book of orders on each security token maintained by the BSTX System.
- (11) The term "**BSTX Operations Center**" refers to the provider of market support for Participants trading on BSTX during the trading day.
- (12) The term "**BSTX Participant**" is a Participant or Options Participant (as defined in the Rule 100 Series) that is authorized to trade security tokens on the Exchange.
- (13) The term "**BSTX Participation Agreement**" means the agreement to be executed by BSTX Participants to qualify to participate in trading on the BSTX System.
- (14) The term "**BSTX Regulation Center**" means the Exchange's based facilities in which, pursuant to procedures established by the Board, Exchange Officials and personnel shall monitor, conduct surveillance of, and regulate the conduct of security token business on BSTX, in order to ensure the maintenance of a fair and orderly market.
- (15) The term "**BSTX System**" means the automated trading system used by BSTX for the trading of security tokens.
- (16) The term "**Carrying BSTX Participant**" means a BSTX Participant that has: (i) entered into a written agreement with an Approved Settlement Provider and

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Wallet Manager pursuant to Exchange Rule 18010; and (ii) that has been designated by other BSTX Participants to facilitate settlement, custody, and transfers relating to security token transactions through its relationship with an Approved Settlement Provider and Wallet Manager.

- (17) The term “**Commission**” means the Securities and Exchange Commission.
- (18) The term “**customer**” shall not include a broker or dealer.
- (19) The term “**dealer**” shall have the same meaning as in Section 3(a)(5) of the Act.
- (20) The term “**designated self-regulatory organization**” means a self-regulatory organization, other than the Exchange, designated by the Commission under Section 17(d) of the Act to enforce compliance by BSTX Participants with Exchange Rules.
- (21) The term “**Designated Market Maker**” or “**DMM**” refers to a BSTX Participant registered as a DMM pursuant to the Rule 25200 Series.
- (22) The term “**Exchange**” or “**BOX**” means BOX Exchange LLC and its facilities.
- (23) The terms “**FINRA**” or “**NASD**” mean, collectively, Financial Industry Regulatory Authority and its subsidiaries.
- (24) The term “**Market Maker**” means a BSTX Participant that acts as a Market Maker pursuant to Rule 25200 Series.
- (25) The term “**offer**” means a limit order to sell one or more security tokens.
- (26) The term “**order**” means a firm commitment to buy or sell a security token.
- (27) The term “**person**” means any natural person, company, government, or political subdivision, agency, or instrumentality of a government.
- (28) The term “**Pre-Opening Phase**” means the time between 8:30 a.m. and 9:00 a.m. Eastern Time.
- (29) The term “**Regular Trading Hours**” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (30) The term “**Rules**” means the Exchange By-Laws, the Exchange LLC Agreement, and these Rules of the Exchange, including the Rule 100 to Rule 16000 Series.
- (31) The term “**security token**” means a NMS stock, as defined in Rule 600(b)(47) of the Exchange Act, trading on the BSTX System. References to a “security” or “securities” in the Rules include security tokens.
- (32) The term “**Wallet Manager**” means a party approved by BSTX to operate software compatible with the BSTX Protocol on behalf of a BSTX Participant.

17010 Applicability

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- (a) The Rules contained in Rule 17000 Series to Rule 27000 Series herein are the Exchange Rules applicable to the trading of security tokens by BSTX Participants approved for such trading, the listing of security tokens, and other matters relating to trading security tokens.
- (b) Except to the extent that specific Rules relating to security tokens govern or unless the context otherwise requires, the provisions of the Exchange Rules shall be applicable to BSTX Participants and to the trading of security tokens on the BSTX System and, for purposes of their application with respect to BSTX Participants and security token trading shall be interpreted in light of the nature of equities trading and the BSTX System, and the fact that security tokens on the BSTX System shall be traded electronically. To the extent that the provisions of the Rules relating to the trading of security tokens contained in Rule 17000 Series to Rule 27000 Series are inconsistent with any other provisions of the Exchange Rules, the Rules relating to security token trading shall control.

17020. Trading Limitations

- (a) BSTX is designed to facilitate the trading of security tokens, which are equity securities meeting BSTX initial and continuing listing standards and that are able to use the functionality of distributed ledger technology to maintain record ownership. Security tokens may be traded on any registered national securities exchange that is able to support, and is approved by the Commission for, trading in security tokens (“security token exchanges”).
- (b) Security tokens may not be traded otherwise than on BSTX.
- (c) BSTX Participants that wish to facilitate the transfer or exchange of a security token otherwise than on BSTX may seek exemptive relief from the Exchange to permit such activity in limited circumstances. The Exchange may also set forth general exemptions for off-exchange transfers via Regulatory Circular.

18000 – PARTICIPATION ON BSTX**18000 BSTX Participation**

- (a) These Rules establish a new category of Exchange member participation called “BSTX Participant.” Only BSTX Participants may transact business on the BSTX System. BSTX Participants may trade security tokens for their own proprietary accounts or, if authorized to do so under applicable law, and consistent with these Rules and with applicable law and SEC rules and regulations, may conduct business on behalf of customers.
- (b) A prospective BSTX Participant must:
 - (1) Complete a BSTX Participant Application, BSTX Participation Agreement, and BSTX User Agreement in the form prescribed by the Exchange;

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- (2) Be an existing Participant or Options Participant or become a Participant or Options Participant of the Exchange, pursuant to the Rule 2000 Series, and continue to abide by all applicable requirements of the Rule 2000 Series;
 - (3) Provide such other information as required by the Exchange.
- (c) Upon completion of the application, the Exchange, or person(s) designated by the Exchange (“designee”) shall consider whether to approve the application, unless there is just cause for delay. In its consideration process, the Exchange may conduct such investigation as it deems appropriate and may take such steps as it deems necessary to confirm the information provided by the applicant. Within thirty (30) days after the Exchange or its designee has completed its consideration of an application, it shall provide written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefore.
- (d) BSTX Participant status cannot be leased or transferred except in the event of a change in control or corporate reorganization involving a BSTX Participant. In such a case, BSTX Participant status may be transferred to a qualified affiliate or successor upon written notice to the Exchange or its designee.

18010. Requirements for BSTX Participants

- (a) BSTX Participants may be corporations, partnerships, limited liability companies or sole proprietorships organized under the laws of a jurisdiction of the United States, or such other jurisdictions as the Exchange may approve.
- (b) BSTX Participants must enter into a written agreement with an Approved Settlement Provider for the clearance and settlement of security token transactions in a form and manner acceptable to the Exchange.
 - (1) A BSTX Participant may alternatively enter into a written agreement with a Carrying BSTX Participant to facilitate these functions through its relationship with an Approved Settlement Provider on behalf of the BSTX Participant. In such case, the BSTX Participant must provide the Exchange with a written statement in a form and manner acceptable to the Exchange identifying each Carrying BSTX Participant by name and acknowledging the Carrying BSTX Participants responsibilities to the BSTX Participant.
- (c) BSTX Participants must enter into a written agreement with a Wallet Manager to facilitate security token transfers and update the distributed ledger as necessary in a form and manner acceptable to the Exchange.
 - (1) A BSTX Participant may alternatively enter into a written agreement with a Carrying BSTX Participant to facilitate these functions through its relationship with a Wallet Manager on behalf of the BSTX Participant. In such case, the BSTX Participant must provide the Exchange with a written statement in a form and manner acceptable to the Exchange identifying each Carrying BSTX Participant by name and acknowledging the Carrying BSTX Participants responsibilities to the BSTX Participant.

EXHIBIT 5A**18020. Persons Associated with BSTX Participants**

Associated persons of a BSTX Participant shall be bound by the Exchange Rules. The Exchange may discipline, suspend or terminate the registration with the Exchange of any person associated with a BSTX Participant for violation of the Rules of the Exchange.

19000 – BUSINESS CONDUCT FOR BSTX PARTICIPANTS**19000. Just and Equitable Principles of Trade**

No BSTX Participant shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Participants shall have the same duties and obligations as Participants under this Rule 19000 Series.

19010. Adherence to Law

No BSTX Participant shall engage in conduct in violation of the Rules, the Exchange Act or the rules or regulations thereunder, or any policy or written interpretation of the Rules by the Board or an appropriate Board committee. Every BSTX Participant shall so supervise persons associated with the BSTX Participant as to assure compliance with those requirements.

19020. Use of Fraudulent Devices

No BSTX Participant shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive, or other fraudulent device or contrivance.

19030. False Statements

No BSTX Participant or applicant for membership, or person associated with a BSTX Participant or applicant for membership, shall make any false statements or misrepresentations in any application, report or other communication to the Exchange. No BSTX Participant or person associated with a BSTX Participant shall make any false statement or misrepresentation to any Exchange committee, officer, the Board or the BSTX Participant's designated examining authority pursuant to Section 17(d) of the Exchange Act in connection with any matter within the jurisdiction of the Exchange.

19040. Know Your Customer

BSTX Participants shall comply with FINRA Rule 2090 as if such rule were part of the Exchange Rules.

19050. Fair Dealing with Customers

All BSTX Participants have a fundamental responsibility for fair dealing with their customers. BSTX Participants who handle customer orders on the Exchange shall establish and enforce objective standards to ensure queuing and executing of customer

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orders in a fair and equitable manner. Practices that do not represent fair dealing include, but are not limited to, the following:

- (a) Recommending speculative securities to customers without knowledge of or an attempt to obtain information concerning the customers' other securities holdings, their financial situation, and other necessary data. This prohibition has particular application to high pressure telephonic sales campaigns;
- (b) Excessive activity in customer accounts (churning or overtrading) in relation to the objectives and financial situation of the customer;
- (c) Establishment of fictitious accounts in order to execute transactions which otherwise would be prohibited or which are contrary to the BSTX Participant's policies;
- (d) Causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon;
- (e) Unauthorized use or borrowing of customer funds or securities; and
- (f) Recommending the purchase of securities or the continuing purchase of securities in amounts which are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.

19060. Suitability

- (a) BSTX Participants and associated persons of BSTX Participants shall comply with FINRA Rule 2111 as if such rule were part of the Exchange Rules.
- (b) For purposes of this Exchange Rule:
 - (1) References to FINRA Rules 2111 and 4512 shall be construed as references to Exchange Rules 19060 and 20040, respectively;
 - (2) References to "FINRA's rules" shall be construed as references to "Exchange Rules";
 - (3) References to FINRA Rule 2214 shall be disregarded, and no comparable Exchange Rule shall apply to activities of BSTX Participants in connection with investment analysis tools.

19070. The Prompt Receipt and Delivery of Securities

No BSTX Participant may accept a customer's purchase order for any security until it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

19080. Charges for Services Performed

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Charges, if any, for services performed, including, but not limited to, miscellaneous services such as collection of monies due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services shall be reasonable and not unfairly discriminatory among customers.

19090. Use of Information Obtained in Fiduciary Capacity

A BSTX Participant who, in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting purchases, sales or exchanges except at the request and on behalf of the issuer.

19100. Publication of Transactions and Quotations

No BSTX Participant shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transaction as a purchase or sale of any security unless such BSTX Participant believes that such transaction was a bona fide purchase or sale of such security; or which purports to quote the bid price or asked price for any security, unless such BSTX Participant believes that such quotation represents a bona fide bid for, or offer of, such security.

19110. Offers at Stated Prices

No BSTX Participant shall make an offer to buy from or sell to any person any security at a stated price unless such BSTX Participant is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell.

19120. Payments Involving Publications that Influence the Market Price of a Security

- (a) Except as provided in paragraph (b), no BSTX Participant shall directly or indirectly, give, permit to be given, or offer to give anything of value to any person, or intimidate any person for the purpose of influencing or rewarding the action of such person in connection with the publication or circulation in any electronic or other public media, including any investment service or similar publication, website, newspaper, magazine or other periodical, radio, or television program of any matter which has, or is intended to have, an effect upon the market price of any security;
- (b) The prohibitions in paragraph (a) shall not apply to compensation paid to a person in connection with the publication or circulation of:
 - (1) a communication that is clearly distinguishable as paid advertising;
 - (2) a communication that discloses the receipt of compensation and the amount thereof in accordance with Section 17(b) of the Securities Act; or
 - (3) a research report, as that term is defined in FINRA Rule 2241.

EXHIBIT 5A**19130. Customer Confirmations**

A BSTX Participant, at or before the completion of each transaction with a customer, shall give or send to such customer such written notification or confirmation of the transaction as is required by Exchange Act Rule 10b-10.

19140. Disclosure of Control Relationship with Issuer

A BSTX Participant controlled by, controlling, or under common control with, the issuer of any security, shall, before entering into any contract with or for a customer for the purchase or sale of such security, disclose to such customer the existence of such control, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction.

19150. Discretionary Accounts

- (a) Excessive Transactions. No BSTX Participant shall effect with or for any customer's account in respect to which such BSTX Participant or its agent or employee is vested with any discretionary power any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources and character of such account.
- (b) Authorization and Acceptance of Account. No BSTX Participant or associated person of a BSTX Participant shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the BSTX Participant, as evidenced in writing by the BSTX Participant or the partner, officer or manager, duly designated by the BSTX Participant.
- (c) Approval and Review of Transactions. The BSTX Participant, or the person duly designated, shall approve promptly in writing each discretionary order entered and shall review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources and character of the account.
- (d) Exception. This Rule shall not apply to an order by a customer for the purchase or sale of a definite amount of a specified security which order gives the BSTX Participant discretion only over the time and price of execution.

19160. Improper Use of Customers' Securities or Funds and Prohibition against Guarantees and Sharing in Accounts

- (a) Improper Use. No BSTX Participant or person associated with a BSTX Participant shall make improper use of a customer's securities or funds.
- (b) Prohibition against Guarantees. No BSTX Participant or person associated with a BSTX Participant shall guarantee a customer against loss in connection with any securities transaction or in any securities account of such customer.

19170. Sharing in Accounts; Extent Permissible

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- (a) Except as provided in paragraph (c), no BSTX Participant or person associated with a BSTX Participant shall share directly or indirectly in the profits or losses in any account of a customer carried by the BSTX Participant or any other BSTX Participant; provided, however, that a BSTX Participant or person associated with a BSTX Participant may share in the profits or losses in such an account if:
- (1) such person associated with a BSTX Participant obtains prior written authorization from the BSTX Participant employing the associated person;
 - (2) such BSTX Participant or person associated with a BSTX Participant obtains prior written authorization from the customer; and
 - (3) such BSTX Participant or person associated with a BSTX Participant shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the BSTX Participant or person associated with a BSTX Participant.
- (b) Exempt from the direct proportionate share limitation of paragraph (a)(3) are accounts of the immediate family of such BSTX Participant or person associated with a BSTX Participant. For purposes of this Rule, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Participant or person associated with a BSTX Participant otherwise contributes directly or indirectly.
- (c) Notwithstanding the prohibition of paragraph (a), a BSTX Participant or person associated with a BSTX Participant that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:
- (1) such person associated with a BSTX Participant seeking such compensation obtains prior written authorization from the BSTX Participant employing the associated person;
 - (2) such BSTX Participant or person associated with a Participant seeking such compensation obtains prior written authorization from the customer; and
 - (3) all of the conditions in Rule 205-3 of the Investment Advisers Act of 1940 (as the same may be amended from time to time) are satisfied.

19180. Communications with Customers and the Public

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 2210 (except FINRA Rule 2210(c)) as if such FINRA Rule were part of the Exchange Rules. The Exchange and FINRA are parties to an agreement the pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, BSTX Participants are complying with this Exchange Rule 19170 by complying with FINRA Rule 2210 as written. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under this Exchange Rule 19170 are being performed by FINRA on the Exchange's behalf.

EXHIBIT 5A**19190. Gratuities**

BSTX Participants shall comply with the requirements of Exchange Rule 3060 (Gratuities).

19200. Telemarketing

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 3230 as if such rule were part of the Exchange's Rules.

19200. Mandatory Systems Testing

BSTX Participants shall comply with Exchange Rule 3180 (Mandatory Systems Testing).

20000 – FINANCIAL AND OPERATIONAL RULES FOR BSTX PARTICIPANTS**20000. Maintenance, Retention and Furnishing of Books, Records and Other Information**

- (a) BSTX Participants shall comply with the requirements of Exchange Rule 10000 (Maintenance, Retention and Furnishing of Books, Records, and Other Information).
- (b) BSTX Participants shall submit to the Exchange such Exchange-related order, market and transaction data as the Exchange by Information Circular may specify, in such form and on such schedule as the Exchange may require.

20010. Financial Reports

BSTX Participants shall comply with the requirements of Exchange Rule 10020 (Financial Reports).

20020. Capital Compliance

Each BSTX Participant subject to Rule 15c3-1 under the Exchange Act shall comply with the capital requirements prescribed therein and with the additional requirements of this Rule 20000 Series.

20030. "Early Warning" Notification Requirements

Every BSTX Participant subject to the reporting or notification requirements of Rule 17a-11 under the Exchange Act or the "early warning" reporting, business restriction or business reduction requirements of another national securities exchange, registered securities association or registered securities clearing organization shall promptly notify the Exchange in writing and shall thereafter file with the Exchange such reports and financial statements as may be required by the Exchange.

EXHIBIT 5A**20040. Power of CRO to Impose Restrictions**

Whenever it shall appear to the Chief Regulatory Officer of the Exchange that a BSTX Participant obligated to give notice to the Exchange under Rule 20030 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to increase its net capital, to a point where it is no longer subject to such notification obligations, or that such BSTX Participant is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements, the Chief Regulatory Officer may impose such conditions and restrictions upon the operations, business and expansion of such BSTX Participant and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for the protection of investors, other BSTX Participants and the Exchange.

20050. Margin

- (a) A BSTX Participant shall not effect a securities transaction through the Exchange in a manner contrary to the regulations of the Board of Governors of the Federal Reserve System.
- (b) The margin which must be maintained in margin accounts of customers shall be as follows:
 - (1) 25% of the current market value of all securities “long” in the account; plus
 - (2) \$2.50 per share or 100% of the current market value, whichever amount is greater, of each security or security token “short” in the account selling at less than \$5.00 per share; plus
 - (3) \$5.00 per share or 30% of the current market value, whichever amount is greater, of each security or security token “short” in the account selling at \$5.00 per share or above; plus
 - (4) 5% of the principal amount or 30% of the current market value, whichever amount is greater, of each bond “short” in the account.

20060. Day Trading Margin

- (a) The term “day trading” means the purchasing and selling of the same security on the same day. A “day trader” is any customer whose trading shows a pattern of day trading.
- (b) Whenever day trading occurs in a customer’s margin account the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required pursuant to Exchange Rule 20050. When day trading occurs in the account of a day trader, the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required for initial margin by Regulation

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T of the Board of Governors of the Federal Reserve System, or as required pursuant to Exchange Rule 20050, whichever amount is greater.

- (c) No BSTX Participant shall permit a public customer to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No BSTX Participant shall permit a public customer to make a practice of selling securities with them in a cash account which are to be received against payment from another registered broker or dealer where such securities were purchased and are not yet paid for.

20070. Customer Account Information BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 4512 as if such rule were part of the Exchange's Rules.

- (a) For purposes of this Exchange Rule:

- (1) References to NASD 2510 (or any successor FINRA rule) shall be construed as references to Exchange Rule 19150;
- (2) References to FINRA Rules 2070, 2090, and 4512 shall be construed as references to Exchange Rules 22030, 19040, and 20070, respectively;
- (3) References to "a prior FINRA rule" shall be construed as references to "a FINRA rule in effect prior to the effectiveness of FINRA Rule 4512";
- (4) The Exchange and FINRA are parties to an agreement pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, BSTX Participants are complying with Exchange Rule 20070 by complying with FINRA Rule 4512 as written, including, for example, providing information required by FINRA staff. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under Exchange Rule 20070 are being performed by FINRA on behalf of the Exchange.

20080. Record of Written Customer Complaints

BSTX Participants and persons associated with a BSTX Participant shall comply with FINRA Rule 4513 as if such rule were part of the Exchange's Rules.

20090. Disclosure of Financial Condition

- (a) A BSTX Participant shall make available to inspection by any bona fide regular customer, upon request, the information relative to such BSTX Participant's financial condition as disclosed in its most recent balance sheet prepared either in accordance with such BSTX Participant's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder. In lieu of making such balance sheet available to inspection, a BSTX Participant may deliver the balance sheet to the requesting bona

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vide regular customer in paper or electronic form; provided that, with respect to electronic delivery, the customer must consent to receive the balance sheet in electronic form.

- (b) Any BSTX Participant who is a party to an open transaction or who has on deposit cash or securities of another BSTX Participant shall deliver upon written request of the other BSTX Participant, in paper or electronic form, a statement of its financial condition as disclosed in its most recent balance sheet prepared either in accordance with such BSTX Participant's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder.
- (c) As used in paragraph (a) of this Exchange Rule 20090, the term "customer" means any person who, in the regular course of such BSTX Participant's business, has cash or securities in the possession of such BSTX Participant.

21000 – SUPERVISION**21000. Written Procedures**

Each BSTX Participant shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the BSTX Participant and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.

21010. Responsibility of BSTX Participants

Final responsibility for proper supervision shall rest with the BSTX Participant. The BSTX Participant shall designate a partner, officer or manager in each office of supervisory jurisdiction, including the main office, to carry out the written supervisory procedures. A copy of such procedures shall be kept in each such office.

21020. Records

Each BSTX Participant shall be responsible for making and keeping appropriate records for carrying out the BSTX Participant's supervisory procedures.

21030. Review of Activities

Each BSTX Participant shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses.

21040. Prevention of the Misuse of Material, Non-Public Information

- (a) Each BSTX Participant must establish, maintain and enforce written procedures reasonably designed, taking into consideration the nature of such BSTX Participant's business, to prevent the misuse of material, nonpublic information by such BSTX Participant or persons associated with such BSTX Participant. BSTX Participants for

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whom the Exchange is the Designated Examining Authority (“DEA”) that are required to file SEC form X-17A-5 with the Exchange on an annual or more frequent basis must file contemporaneously with the submission for the calendar year end Insider Trading and Securities Fraud Enforcement Act of 1988 (“ITSFEA”) compliance acknowledgements stating that the procedures mandated by this Rule have been established, enforced and maintained. Any BSTX Participant or associated person of a BSTX Participant who becomes aware of a possible misuse of material, non-public information must notify the Exchange’s Surveillance Department.

- (b) For purposes of this Rule, conduct constituting the misuse of material, non-public information includes, but is not limited to, the following:
- (1) Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer; or
 - (2) Trading in a security or related options or other derivative securities, while in possession of material non-public information concerning imminent transactions in the security or related securities; or
 - (3) Disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of facilitating the possible misuse of such material, non-public information.
- (c) This Rule provides that, at a minimum, each BSTX Participant establish, maintain, and enforce the following policies and procedures:
- (1) All associated persons of the BSTX Participant must be advised in writing of the prohibition against the misuse of material, non-public information;
 - (2) All associated persons of the BSTX Participant must sign attestations affirming their awareness of, and agreement to abide by the aforementioned prohibitions. These signed attestations must be maintained for at least three years, the first two years in an easily accessible place;
 - (3) Each BSTX Participant must receive and retain copies of trade confirmations and monthly account statements for each account in which an associated person has a direct or indirect financial interest or makes investment decisions. The activity in such brokerage accounts should be reviewed at least quarterly by the BSTX Participant for the purpose of detecting the possible misuse of material, non-public information; and
 - (4) All associated persons must disclose to the BSTX Participant whether they, or any person in whose account they have a direct or indirect financial interest, or make investment decisions, are an officer, director or 10% shareholder in a company

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whose shares are publicly traded. Any transaction in the stock (or option thereon) of such company shall be reviewed to determine whether the transaction may have involved a misuse of material non-public information.

Maintenance of the foregoing policies and procedures will not, in all cases, satisfy the requirements and intent of this Rule; the adequacy of each BSTX Participant's policies and procedures will depend upon the nature of such BSTX Participant's business.

21050. Anti-Money Laundering Compliance Program

BSTX Participants shall comply with the requirements of Exchange Rule 10070 (Anti-Money Laundering Compliance Program).

22000 – MISCELLANEOUS PROVISIONS**22000. Comparison and Settlement Requirements**

- (a) Every BSTX Participant who is a member of an Approved Settlement Provider shall implement comparison and settlement procedures as may be required under the rules of such entity.
- (b) For purposes of this Rule, an Approved Settlement Provider shall mean an Approved Settlement Provider as defined in Rule 17000 which has agreed to supply the Exchange with data reasonably requested in order to permit the Exchange to enforce compliance by BSTX Participants with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange.
- (c) Anything contained in paragraph (a) to the contrary notwithstanding, the Board may extend or postpone the time of the delivery of a BSTX transaction whenever, in its opinion, such action is called for by the public interest, by just and equitable principles of trade or by the need to meet unusual conditions. In such case, delivery shall be effected at such time, place and manner as directed by the Board.

22010. Failure to Deliver and Failure to Receive

- (a) Borrowing and deliveries shall be effected in accordance with Rule 203 of Regulation SHO, under the Exchange Act. The Exchange incorporates by reference Rules 200 and 203 of Regulation SHO, to this Rule 22020, as if they were fully set forth herein

22020. Forwarding of Proxy and Other Issuer-Related Materials; Proxy Voting

- (a) A BSTX Participant when so requested by an issuer and upon being furnished with: (1) sufficient copies of proxy material, annual reports, information statements or other material required by law to be sent to security holders periodically, and (2) satisfactory assurance that it will be reimbursed by such issuer for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit promptly to each beneficial owner of securities (or the beneficial owner's designated investment adviser) of such issuer

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which are in its possession and control and registered in a name other than the name of the beneficial owner all such material furnished. In the event of a proxy solicitation, such material shall include a signed proxy indicating the number of shares held for such beneficial owner and bearing a symbol identifying the proxy with proxy records maintained by the BSTX Participant, and a letter informing the beneficial owner (or the beneficial owner's designated investment adviser) of the time limit and necessity for completing the proxy form and forwarding it to the person soliciting proxies prior to the expiration of the time limit in order for the shares to be represented at the meeting. A BSTX Participant shall furnish a copy of the symbols to the person soliciting the proxies and shall also retain a copy thereof pursuant to the provisions of Exchange Act Rule 17a-4. This paragraph shall not apply to beneficial owners residing outside of the United States of America though BSTX Participants may voluntarily comply with the provisions hereof in respect of such persons if they so desire.

- (b) No BSTX Participant shall give a proxy to vote stock that is registered in its name, unless: (i) such BSTX Participant is the beneficial owner of such stock; (ii) such proxy is given pursuant to the written instructions of the beneficial owner; or (iii) such proxy is given pursuant to the rules of any national securities exchange or association of which it is a member provided that the records of the BSTX Participant clearly indicate the procedure it is following.
- (c) Notwithstanding the foregoing, a BSTX Participant that is not the beneficial owner of a security registered under Section 12 of the Exchange Act is prohibited from granting a proxy to vote the security in connection with a shareholder vote on the election of a member of the board of directors of an issuer (except for a vote with respect to uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940), executive compensation, or any other significant matter, as determined by the Commission, by rule, unless the beneficial owner of the security has instructed the BSTX Participant to vote the proxy in accordance with the voting instructions of the beneficial owner.
- (d) Notwithstanding the foregoing, a BSTX Participant may give a proxy to vote any stock registered in its name if such BSTX Participant holds such stock as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote. A BSTX Participant that has in its possession or within its control stock registered in the name of another BSTX Participant and that desires to transmit signed proxies pursuant to the provisions of paragraph (a) of this Rule, shall obtain the requisite number of signed proxies from such holder of record. Notwithstanding the foregoing: (1) any BSTX Participant designated by a named Employee Retirement Income Security Act of 1974 (as amended) ("ERISA") Plan fiduciary as the investment manager of stock held as assets of the ERISA Plan may vote the proxies in accordance with the ERISA Plan fiduciary responsibilities if the ERISA Plan expressly grants discretion to the investment manager to manage, acquire, or dispose of any plan asset and has not expressly reserved the proxy voting right for the named ERISA Plan fiduciary; and (2) any designated investment adviser may vote such proxies.

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- (e) For purposes of this Rule, the term “designated investment adviser” is a person registered under the Investment Advisers Act of 1940, or registered as an investment adviser under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and is designated in writing by the beneficial owner to receive proxy and related materials and vote the proxy, and to receive annual reports and other material sent to security holders.
- (f) For purposes of this Rule, the term “state” shall have the meaning given to such term in Section 202(a)(19) of the Investment Advisers Act of 1940 (as the same may be amended from time to time).
- (g) The written designation must be signed by the beneficial owner; be addressed to the BSTX Participant; and include the name of the designated investment adviser.
- (h) BSTX Participants that receive such a written designation from a beneficial owner must ensure that the designated investment adviser is registered with the SEC pursuant to the Investment Advisers Act, or with a state as an investment adviser under the laws of such state, and that the investment adviser is exercising investment discretion over the customer’s account pursuant to an advisory contract to vote proxies and/or to receive proxy soliciting material, annual reports and other material. BSTX Participants must keep records substantiating this information.
- (i) Beneficial owners have an unqualified right at any time to rescind designation of the investment adviser to receive materials and to vote proxies. The rescission must be in writing and submitted to the BSTX Participant.

22030. Commissions

Nothing in the Exchange Rules or the Exchange practices shall be construed to require, authorize or permit any BSTX Participant, or any person associated with a BSTX Participant, to agree or arrange, directly or indirectly, for the charging of fixed rates of commission for transactions effected on, or effected by the use of the facilities of, the Exchange.

22040. Regulatory Services Agreements

The Exchange may enter into one or more agreements with another self-regulatory organization to provide regulatory services to the Exchange to assist the Exchange in discharging its obligations under Section 6 and Section 19(g) of the Exchange Act. Any action taken by another self-regulatory organization, or its employees or authorized agents, acting on behalf of the Exchange pursuant to a regulatory services agreement shall be deemed to be an action taken by the Exchange; provided, however, that nothing in this provision shall affect the oversight of such other self-regulatory organization by the Commission. Notwithstanding the fact that the Exchange may enter into one or more regulatory services agreements, the Exchange shall retain ultimate legal responsibility

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for, and control of, its self-regulatory responsibilities, and any such regulatory services agreement shall so provide.

22050. Transactions Involving Exchange Employees

- (a) When a BSTX Participant has actual notice that an Exchange employee has a financial interest in, or controls trading in, an account, the BSTX Participant shall promptly obtain and implement an instruction from the employee directing that duplicate account statements be provided by the BSTX Participant to the Exchange.
- (b) No BSTX Participant shall directly or indirectly make any loan of money or securities to any Exchange employee. Provided, however, that this prohibition does not apply to loans made in the context of disclosed, routine banking and brokerage agreements, or loans that are clearly motivated by a personal or family relationship.
- (c) Notwithstanding the annual dollar limitation set forth in Rule 19200, no BSTX Participant shall directly or indirectly give, or permit to be given, anything of more than nominal value to any BOX employee who has responsibility for a regulatory matter that involves the BSTX Participant. For purposes of this subsection, the term “regulatory matter” includes, but is not limited to, examinations, disciplinary proceedings, membership applications, listing applications, delisting proceedings, and dispute-resolution proceedings that involve the BSTX Participant.

23000 – TRADING PRACTICE RULES**23000. Market Manipulation**

No BSTX Participant shall execute or cause to be executed or participate in an account for which there are executed purchases of any security at successively higher prices, or sales of any security at successively lower prices, or otherwise engage in activity, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security on the Exchange or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

23010. Fictitious Transactions

No BSTX Participant, for the purpose of creating or inducing a false or misleading appearance of activity in a security traded on the Exchange or creating or inducing a false or misleading appearance with respect to the market in such security shall:

- (1) execute any transaction in such security which involves no change in the beneficial ownership thereof, or
- (2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same

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price, for the sale of such security, has been or will be entered by or for the same or different parties, or

- (3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

23020. Excessive Sales by a BSTX Participant

No BSTX Participant shall execute purchases or sales in any security traded on the Exchange for any account in which such BSTX Participant is directly or indirectly interested, which purchases or sales are excessive in view of the BSTX Participant's financial resources or in view of the market for such security.

23030. Manipulative Transactions

- (a) No BSTX Participant shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.
- (b) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of a security shall be deemed to be a manipulative operation.
- (c) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.
- (d) The carrying on margin of a position in such security or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

23040. Dissemination of False Information

Consistent with Exchange Rule 3080 (Rumors), no BSTX Participant shall make any statement or circulate and disseminate any information concerning any security traded on the Exchange which such BSTX Participant knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

23050. Prohibition against Trading Ahead of Customer Orders

- (a) Except as provided herein, a BSTX Participant that accepts and holds an order in a security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless

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it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

- (b) A BSTX Participant must have a written methodology in place governing the execution and priority of all pending orders that is consistent with the requirements of this Rule. A BSTX Participant also must ensure that this methodology is consistently applied.
- (c) *Large Orders and Institutional Account Exceptions.* With respect to orders for customer accounts that meet the definition of an “institutional account” or for orders of 10,000 security tokens or more (unless such orders are less than \$100,000 in value), a BSTX Participant is permitted to trade a security on the same side of the market for its own account at a price that would satisfy such customer order, provided that the BSTX Participant has provided clear and comprehensive written disclosure to such customer at account opening and annually thereafter that:
- (1) discloses that the BSTX Participant may trade proprietarily at prices that would satisfy the customer order, and
 - (2) provides the customer with a meaningful opportunity to opt in to the Rule 23050 protections with respect to all or any portion of its order.

If the customer does not opt in to the Rule 23050 protections with respect to all or any portion of its order, the BSTX Participant may reasonably conclude that such customer has consented to the BSTX Participant trading a security on the same side of the market for its own account at a price that would satisfy the customer’s order.

In lieu of providing written disclosure to customers at account opening and annually thereafter, a BSTX Participant may provide clear and comprehensive oral disclosure to and obtain consent from the customer on an order-by-order basis, provided that the BSTX Participant documents who provided such consent and such consent evidences the customer’s understanding of the terms and conditions of the order.

For purposes of this Rule, “institutional account” shall mean the account of:

- i. a bank savings and loan association, insurance company or registered investment company;
 - ii. an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or
 - iii. any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million
- (d) *No-Knowledge Exception.*

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- (1) With respect to NMS stocks (as defined in Rule 600 under of the Securities and Exchange Commission's Regulation NMS), if a BSTX Participant implements and utilizes an effective system of internal controls, such as appropriate information barriers, that operate to prevent one trading unit from obtaining knowledge of customer orders held by a separate trading unit, those other trading units trading in a proprietary capacity may continue to trade at prices that would satisfy the customer orders held by the separate trading unit. A BSTX Participant that structures its order handling practices in NMS stocks to permit its proprietary and/or market-making desk to trade at prices that would satisfy customer orders held by a separate trading unit must disclose in writing to its customers, at account opening and annually thereafter, a description of the manner in which customer orders are handled by the BSTX Participant and the circumstances under which the BSTX Participant may trade proprietarily at its proprietary and/or market-making desk at prices that would satisfy the customer order.
 - (2) If a BSTX Participant implements and utilizes appropriate information barriers in reliance on this exception, the BSTX Participant must uniquely identify such information barriers in place at the department within the BSTX Participant where the order was received or originated. Appropriate information barriers must, at minimum, comply with the requirements set forth in Rule 21040.
 - (3) BSTX Participants must maintain records that indicate which orders rely on the No Knowledge Exception and submit these records to the Exchange upon request.
- (e) *Bona Fide Error Transaction Exceptions.* The obligations under this Rule shall not apply to a BSTX Participant's proprietary trade that is to correct a bona fide error. BSTX Participants are required to demonstrate and document the basis upon which a transaction meets the bona fide error exception. For purposes of this Rule, a bona fide error is:
- (1) the inaccurate conveyance or execution of any term of an order, including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
 - (2) the unauthorized or unintended purchase, sale, or allocation of securities or the failure to follow specific client instructions;
 - (3) the incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or
 - (4) a delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order.
- (f) *Minimum Price Improvement Standards.* The minimum amount of price improvement necessary for a BSTX Participant to execute an order on a proprietary basis when holding

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an unexecuted limit order in that same security, and not be required to execute the held limit order, is \$0.01 for all securities traded on the BSTX System. In addition, if the minimum price improvement standards above would trigger the protection of a pending customer limit order, any better-priced customer limit order(s) must also be protected under this Rule, even if those better-priced limit orders would not be directly triggered under the minimum price improvement standards above.

- (g) *Order Handling Procedures.* A member must make every effort to execute a marketable customer order that it receives fully and promptly.

23060. Joint Activity

No BSTX Participant, directly or indirectly, shall hold any interest or participation in any joint account for buying or selling a security traded on the Exchange, unless such joint account is promptly reported to the Exchange. The report should contain the following information for each account:

- (1) the name of the account, with names of all participants and their respective interests in profits and losses;
- (2) a statement regarding the purpose of the account;
- (3) the name of the BSTX Participant carrying the account; and
- (4) a copy of any written agreement or instrument relating to the account.

23070. Influencing Data Feeds

No BSTX Participant shall attempt to execute a transaction or transactions to buy or sell a security for the purpose of influencing any report appearing on any data feed providing information with respect to such security.

23080. Trade Shredding

No BSTX Participant or associated person of a BSTX Participant may engage in “trade shredding.” Trade shredding is conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for the primary purpose of maximizing a monetary or in-kind amount to be received by a BSTX Participant or associated person of a BSTX Participant as a result of the execution of such orders or the transaction reporting of such executions. For purposes of this Rule 23080, “monetary or in-kind amount” shall be defined to include, but not be limited to, any credits, commissions, gratuities, payments for or rebates of fees, or any other payments of value to a BSTX Participant or associated person of a BSTX Participant.

23090. Best Execution

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In executing customer orders, a BSTX Participant is not a guarantor of “best execution” but must use the care of a reasonably prudent person in the light of all circumstances deemed relevant by the BSTX Participant and having regard for the BSTX Participant’s brokerage judgment and experience.

23100. Publication of Transactions and Changes

- (a) The Exchange shall cause to be disseminated for publication on the data feed(s) relating to the effective transaction reporting plan for security tokens all last sale price reports of transactions executed through the facilities of the Exchange pursuant to the requirements of an effective transaction reporting plan approved by the Commission.
- (b) To facilitate the dissemination of such last sale price reports, each BSTX Participant shall cause to be reported to the Exchange, as promptly as possible after execution, all information concerning each transaction required by the effective transaction reporting plan for security tokens.
- (c) An official of the Exchange shall approve any corrections to reports transmitted over the data feed(s) relating to the effective transaction reporting plan for security tokens. Any such corrections shall be made within one day after detection of the error.

23110. Trading Ahead of Research Reports

- (a) No BSTX Participant shall establish, increase, decrease or liquidate an inventory position in a security or a derivative of such security based on non-public advance knowledge of the content or timing of a research report in that security.
- (b) BSTX Participant must establish, maintain and enforce policies and procedures reasonably designed to restrict or limit the information flow between research department personnel, or other persons with knowledge of the content or timing of a research report, and trading department personnel, so as to prevent trading department personnel from utilizing non-public advance knowledge of the issuance or content of a research report for the benefit of the BSTX Participant or any other person.

23120. Front Running of Block Transactions

- (a) BSTX Participants and persons associated with BSTX Participants shall comply with FINRA Rule 5270 as if such rule were part of the Exchange’s Rules.
- (b) Front Running of Non-Block Transactions. Although the prohibitions in FINRA Rule 5270 are limited to imminent block transactions, the front running of other types of orders that place the financial interests of a BSTX Participant or persons associated with a BSTX Participant ahead of those of its customers or the misuse of knowledge of an imminent customer order may violate other Exchange rules, including Rule 19000 and Rule 23050, and/or provisions of the federal securities laws.

23130. Disruptive Quoting and Trading Activity Prohibited

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BSTX Participants shall comply with the requirements of Exchange Rule 3220 (Disruptive Quoting and Trading Activity Prohibited).

24000 – DISCIPLINE AND SUMMARY SUSPENSION**24000. Suspensions**

The provisions of the Rule 11000 Series (Summary Suspension), 12000 Series (Discipline), 13000 Series (Review of Certain Exchange Actions), and 14000 Series (Arbitration) of the Exchange Rules shall be applicable to BSTX Participants and trading on the BSTX System.

24010. Penalty for Minor Rule Violations

The following BSTX Rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Rule 12140 (Imposition of Fines for Minor Violations) and impose the fine set forth below. The Exchange is not required to proceed under said Rules as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under the Rule 12000 Series as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period (“Period”).

(a) Fine schedule pursuant to Rule 24010:

Occurrence (within a rolling 1	Individual	BSTX Participant
First Offense	\$100	\$500
Second Offense	\$300	\$1,000
Third Offense	\$500	\$2,5000

(b) Violations Appropriate for Dispositions under Rule 24010:

- (1) Rule 20000 – Maintenance, Retention and Furnishing of Records
- (2) Rule 25070 – Audit Trail
- (3) Rule 25210(a)(1) – BSTX Market Maker Two-Sided Quote Obligation
- (4) Rule 25120 – Short Sales.

25000 – TRADING RULES

EXHIBIT 5A**25000. Access to and Conduct on the BSTX Marketplace**

- (a) *Access to BSTX.* Unless otherwise provided in the Rules, no one but a BSTX Participant approved for trading on the BSTX System or a person associated with such a BSTX Participant shall effect any transactions on the BSTX System.
- (b) *Authorized Traders.* A BSTX Participant shall maintain a list of authorized traders who may obtain access to the BSTX System on behalf of the BSTX Participant. The BSTX Participant shall update the list of authorized traders as necessary. BSTX Participants must provide the list of authorized traders to the Exchange upon request.
- (1) BSTX Participants must have procedures in place that are reasonably designed to ensure that all authorized traders comply with all Exchange Rules and all other procedures related to the BSTX System
 - (2) A BSTX Participant must suspend or withdraw a person's status as an authorized trader if the Exchange has determined that the person caused the BSTX Participant to fail to comply with the Rules of the Exchange and the Exchange has directed the BSTX Participant to suspend or withdraw the person's status as an authorized trader.
 - (3) A BSTX Participant must have reasonable procedures to ensure that authorized traders maintain the physical security of the equipment for accessing the facilities of the Exchange to prevent the improper use or access to the systems, including unauthorized entry of information into the systems.
 - (4) To be eligible to become an authorized trader of a BSTX Participant, a person must register as an associated person of the BSTX Participant pursuant to
- (c) *Exchange Conduct.* BSTX Participants and persons employed by or associated with any BSTX Participant, while using the facilities of the Exchange, including BSTX, shall not engage in conduct:
- (1) inconsistent with the maintenance of a fair and orderly market;
 - (2) likely to impair public confidence in the operations of the Exchange; or
 - (3) inconsistent with the ordinary and efficient conduct of business.
- (d) Activities that shall violate the provisions of paragraph (b) include, but are not limited to, the following:
- (1) failure of a BSTX Market Maker to comply with the requirements in Rule 25200 Series;
 - (2) failure of a BSTX Participant to adequately supervise a person employed by or associated with such BSTX Participant to ensure that person's compliance with paragraph (c).
 - (3) failure to maintain adequate procedures and controls that permit the BSTX Participant to effectively monitor and supervise the entry of orders by users to

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prevent the prohibited practices set forth in paragraph (c) and the Rule 23000 Series;

- (4) failure to abide by a determination of the Exchange;
 - (5) effecting transactions that are manipulative as provided in the Rule 23000 Series and any Exchange policy;
 - (6) refusal to provide information requested by the Exchange (See Rules 10000 and 12010); and
 - (7) failure to abide by the provisions of the Rule 23000 Series related to limitations on orders.
- (e) Subject to the Rules, the Exchange will provide access to the BSTX System to Participants in good standing that wish to conduct business on BSTX.
- (f) Pursuant to the Rules, the Exchange may:
- (1) suspend a Participant's access to the BSTX System following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
 - (2) terminate a Participant's access to the BSTX System by notice in writing.

25010. Days and Hours of Business

- (a) The Board shall determine the days BSTX shall be open for business (referred to as "business days") and the hours of such days during which transactions may be made on BSTX. No Participant shall make any bid, offer, or transaction on BSTX before or after such hours, except as provided in Rule 25040.
- (b) The Exchange shall not be open for business on the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday. When any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the following Monday, unless unusual business conditions exist at the time.
- (c) Orders may be executed on the BSTX System between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (d) The Chief Executive Officer, President, or Chief Regulatory Officer of the Exchange, or his designee, who must be a senior officer of the Exchange, shall have the power to halt, suspend trading in any and all security tokens traded on BSTX, to close some or all BSTX facilities, and to determine the duration of any such halt, suspension, or closing, when he deems such action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest including special circumstances such as (1) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by BSTX, (2) a request

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by a governmental agency or official, or (3) a period of mourning or recognition for a person or event. No such action shall continue longer than a period of two days, or as soon thereafter as a quorum of Directors can be assembled, unless the Board approves the continuation of such suspension.

25020. Units of Trading

The minimum unit of trading on the BSTX System shall be one security token.

25030. Minimum Price Variant (“MPV”)

Bids, offers, orders, or indications of interest in securities traded on BSTX shall not be made in an increment smaller than \$0.01.

25040. Opening the Market

- (a) *Pre-Opening Phase.* Starting at 8:30 a.m. Eastern Time, the BSTX System will accept orders. During this period, known as the Pre-Opening Phase, orders are placed on the BSTX Book but do not generate trade executions. Contingency orders do not participate in the opening and are not accepted by the BSTX System during this Pre-Opening Phase.
- (b) *Calculation of Theoretical Opening Price.* From the time that the BSTX System commences accepting orders at the start of the Pre-Opening Phase, the BSTX System will calculate and provide the Theoretical Opening Price (“TOP”) for the current resting orders on the BSTX Book during the Pre-Opening Phase. The TOP is that price at which the opening match would occur at the current time, if that time were the opening, according to the opening match procedures described in paragraph (d) below. The quantity that would trade at this price is also calculated. The TOP is re-calculated and disseminated every time a new order is received or cancelled and where such event causes the TOP price or quantity to change.

A TOP can only be calculated if an opening trade is possible. An opening trade is possible if the BSTX Book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals lowest offer).

- (c) *Broadcast Information During Pre-Opening Phase.* The BSTX System will disseminate information to all BSTX Participants about any orders sent in before the Opening Match. This broadcast will also include the TOP and the quantity of shares that would execute at the TOP. Any orders which are at a price better (*i.e.*, bid higher or offer lower) than the TOP will be shown only as a total quantity on the BSTX Book at a price equal to the TOP.
- (d) *Opening Match.*
 - (1) The BSTX System will establish the opening price at the time of the opening match at 9:30 a.m. Eastern Time. The opening price is the TOP at the moment of the opening match. The TOP/opening price is the “market clearing” price which will leave bids and offers which cannot trade with each other. In determining the priority of orders to be filled, the BSTX System will give priority to Limit Orders

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whose price is better than the opening price first. Consistent with Rule 25080, among multiple orders at the same price, execution priority during the opening match is determined based on the time the order was received by the BSTX System. One or more security tokens may not open because of conditions cited in paragraph (f) below.

- (2) The BSTX System will determine a single price at which a particular security token will be opened. BSTX will calculate the optimum number of security tokens that could be matched at a price, taking into consideration all the orders on the BSTX Book.
 - i. The opening match price is the price which will result in the matching of the highest number of security tokens.
 - ii. Should two or more prices satisfy the maximum quantity criteria, the price which will leave the fewest resting security tokens in the BSTX Book will be selected as the opening price.
 - iii. Should there still be two or more prices which meet both criteria in subparagraphs (i) and (ii) above, the price which is closest to the previous day's closing price will be selected as the opening match price. For new security tokens in which there is no previous day's closing price, BSTX will utilize the price assigned to the security token by BSTX ("reference price").
- (e) As the opening price is determined, the BSTX System will proceed to move the security token from the Pre-Opening Phase to the continuous or regular trading phase and disseminate the opening trade price, if any. At this point, the BSTX system is open for trading and all orders are accepted and processed according to these Rules. Any orders that remain unexecuted in the opening match, including any remaining portion of a partially executed order, shall be moved onto the BSTX order book for the regular trading phase and shall retain their price/time priority consistent with Rule 25080. When the BSTX System cannot determine an opening price, but none of the reasons exist for delaying an opening as outlined in paragraph (f) of this Rule, below, the security token will nevertheless move from Pre-Opening Phase to the continuous trading phase with all orders received during the Pre-Opening Phase being moved to the BSTX Book for regular hours trading.
- (f) The Exchange may order a deviation from the standard manner of the opening procedure, including delaying the opening in any security token, when it believes it is necessary in the interest of a fair and orderly market.
- (g) Orders marked IOC submitted during the Pre-Opening Phase are rejected.

25050. Trading Halts

- (a) The Exchange shall halt trading in all security tokens and shall not reopen for the time periods specified in this Rule if there is a Level 1, 2, or 3 Market Decline.

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- (1) For purposes of this Rule, a Market Decline means a decline in price of the S&P 500® Index between 9:30 a.m. and 4:00 p.m. Eastern Time on a trading day as compared to the closing price of the S&P 500® Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30 a.m. Eastern Time.
 - (2) A “Level 1 Market Decline” means a Market Decline of 7%.
 - (3) A “Level 2 Market Decline” means a Market Decline of 13%.
 - (4) A “Level 3 Market Decline” means a Market Decline of 20%.
- (b) *Halts in Trading.*
- (1) If a Level 1 Market Decline or a Level 2 Market Decline occurs after 9:30 a.m. Eastern Time and up to and including 3:25 p.m., or in the case of an early scheduled close, 12:25 p.m., the Exchange shall halt trading in all security tokens for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 Market Decline or a Level 2 Market Decline occurs after 3:25 p.m. or, in the case of an early scheduled close, after 12:25 p.m.
 - (2) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all security tokens until the primary listing market opens the next trading day.
- (c) *Acceptance of Orders.* BSTX does not accept any orders in a security subject to a trading halt for the duration of the trading halt. Any order submitted during a halt will be rejected by the BSTX System. All orders and trading interest on the BSTX book during a trading halt will be canceled. Orders may be accepted by BSTX only following a broadcast message to BSTX Participants indicating a forthcoming re-opening of trading, as described in paragraph (d) below.
- (d) *Re-opening of Trading.* The re-opening of trading following a Level 1 or 2 trading halt shall follow the procedures set forth in Rule 25050.
- (e) Nothing in this Rule should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any security token or security tokens traded on the Exchange in circumstances in which the Exchange deems it necessary to protect investors and the public interest, or pursuant to any other Exchange rule or policy.

25060. Order Entry

- (a) Orders can be submitted to the BSTX System from commencement of pre-opening until market close. Submitted orders, once validated by the BSTX System, are time-stamped to within one millisecond.
- (b) On BSTX:

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- (1) a bid is represented as an order to buy (“buy order”);
 - (2) an offer is represented as an order to sell (“sell order”); and
 - (3) an execution, or trade, is defined as the matching of a buy order and sell order in the BSTX Book.
- (c) The following types of orders may be submitted to the BSTX System:
- (1) *Limit Order*. Limit Orders entered into the BSTX Book are executed at the price stated or better. Any residual volume left after part of a Limit Order has traded is retained in the BSTX Book until it is withdrawn by the BSTX Participant or the BSTX System at the end of the trading day, or traded (unless a designation described in paragraph (d) below is added which prevents the untraded part of a limit order from being retained). All Limit Orders are automatically withdrawn by the BSTX System at market close. If a BSTX Participant fails to specify a limit price with respect to its limit order, such order shall be rejected.
- (d) Where no order type is specified, the BSTX System will reject the order.
- (1) All orders, including those submitted during the Pre-Opening Phase, have a default time-in-force of “DAY.” DAY orders may queue during the Pre-Opening Phase or before the resumption of trading following a trading halt. DAY orders are only available for trading during Regular Trading Hours. Any DAY orders remaining unexecuted at the time of the BSTX close (4:00 p.m. Eastern Time) are canceled.
 - (2) The following optional designations can be added to the order types referred to in paragraph (c) above:
 - i. Immediate-or-cancel (“IOC”). Orders entered into the BSTX System marked IOC are executed on BSTX in whole or in part, as soon as such order is received, and the portion not so executed is canceled. Orders marked IOC are never posted to the BSTX Book. Orders marked IOC are not accepted during the Pre-Opening Phase. Marking an order as IOC overrides the default time-in-force of DAY.
- (e) The identity of BSTX Participants who submit orders to the BSTX System will remain anonymous to market participants at all times, except during error resolution or through the normal settlement process.
- (f) Orders can be cancelled but not modified once they are held in the BSTX Book. The cancellation and submission of a new order will result in a time stamp being associated with the order for purposes of BSTX Order Book priority.
- (g) All orders will be canceled at market close.

25070. Audit Trail

- (a) *Order Identification*. When entering orders on the BSTX System, each BSTX Participant

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shall submit order information in such form as may be prescribed by the Exchange in order to allow BSTX to properly prioritize and match orders pursuant to Rule 25080 and report resulting transactions. A BSTX Participant must ensure that each order received from a Customer for execution on BSTX is recorded and time-stamped immediately. The order must be time-stamped again upon execution and also at the time of any modification or cancellation of the order by the Customer.

- (b) Order tickets relating to orders submitted to the BSTX System must contain the following information at a minimum:
- (1) a unique order identification;
 - (2) the security token;
 - (3) Participant identification;
 - (4) Participant capacity;
 - (5) customer identification;
 - (6) buy/sell;
 - (7) quantity;
 - (8) price or price limit;
 - (9) special instructions; and
 - (10) such other information as may be required by the Exchange.
- (c) A BSTX Participant that employs an electronic system for order routing or order management which complies with Exchange requirements will be deemed to be complying with the requirements of this Rule if the required information is recorded in electronic form rather than in written form.
- (d) In addition to any related requirement under applicable securities laws, information recorded pursuant to this Rule must be retained by Participants for a period of no less than three (3) years after the date of the transaction.
- (e) While the identity of the individual/terminal completing the order ticket and the customer identification (the specific customer or account number) are not submitted in the order entry system, this type of specific information should be maintained as part of the BSTX Participant's books and records requirements, and if requested, must be provided to the Exchange.

25080. Execution and Price/Time Priority

Subject to the restrictions under these Exchange Rules or the Act and the rules and regulations thereunder, orders shall be matched for execution in accordance with this Rule.

- (a) *Ranking*. Orders of BSTX Participants shall be ranked and maintained in the BSTX Book

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according to price-time priority, such that within each price level, all orders shall be organized by the time of entry.

(b) *Execution Against the BSTX Order Book.* For purposes of this Rule any order falling within the parameters of this paragraph shall be referred to as “executable.” An order will be canceled back to the BSTX Participant if, based on the market conditions, BSTX Participant instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable and cannot be posted to the BSTX Book.

- (1) The BSTX System will ensure that any execution that occurs during the Regular Trading Hours will respect the best prices in the marketplace. The BSTX System will ensure that orders will not:
 - i. in the case of a sell order, execute at a price below the best bid price in the marketplace; or
 - ii. in the case of a buy order execute at a price above the best offer price in the marketplace.
- (2) Execution against the BSTX Book. An incoming order will attempt to be matched for execution against orders in the BSTX Book, as described below.
 - i. Buy Orders. An incoming order to buy will be automatically executed to the extent that it is priced at an amount that equals or exceeds the resting price of any order to sell in the BSTX Book and is executable, as defined above. Such order to buy shall be executed at the price(s) of the lowest priced order(s) to sell having priority in the BSTX Book.
 - ii. Sell Orders. An incoming order to sell will be automatically executed to the extent that it is priced at an amount that equals or is less than the resting price of any other order to buy in the BSTX Book and is executable, as defined above. Such order to sell shall be executed at the price(s) of the highest priced order(s) to buy having priority in the BSTX Book.
- (3) *Compliance with Rule 201 of Regulation SHO.* For any execution of a short sale order to occur on the BSTX System when a short sale price test restriction is in effect, the execution price must be higher than (i.e., above) the best bid, unless the sell order is marked “short exempt” pursuant to Regulation SHO.

25090. BSTX Risk Controls

- (a) *Maximum Order Size.* The BSTX System will prevent orders from executing or being placed on the BSTX Book if the size of the order exceeds the size protection designated by the BSTX Participant. The Exchange may provide default values and mandatory minimum levels for this size protection.
- (b) *Cancel-on-Disconnect.* BSTX Participants may elect for the BSTX System to cancel all

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resting orders of a BSTX Participant if the BSTX Participant disconnects from the BSTX System.

- (c) *Price Protection for Limit Orders.* Price Protection for Limit Orders is a feature that prevents incoming Limit Orders from being accepted if the order price is more than a specific amount or percentage outside the best bid or offer in the marketplace. The specific amount and percentage is provided by the BSTX Participant, and the Exchange may provide default values and mandatory minimum levels.
- (d) *Maximum Order Rate.* The Maximum Order Rate will reject an incoming order if the rate of orders received by the BSTX System from a BSTX Participant exceeds the BSTX Participant-provided maximum order rate. The Exchange may provide default values and mandatory minimum levels

25100. Trade Execution, Reporting, and Dissemination of Quotations

- (a) *Dissemination of Last Sale Information.* Executions occurring as a result of orders matched against the BSTX Book, pursuant to Rule 25080, shall be collected and disseminated. The
- (b) *Display and Quotation Dissemination.* All non-marketable Limit Orders are eligible to be displayed.
 - (1) The aggregate of the best-ranked non-marketable Limit Order(s), pursuant to Rule 25080, to buy and the best-ranked non-marketable Limit Order(s) to sell in the BSTX Book shall be collected and made available to quotation vendors for dissemination.
- (c) *Display of Automated Quotations.* The BSTX System will be operated as an “automated market center” within the meaning of Regulation NMS, and in furtherance thereof, will display “automated quotations” within the meaning of Regulation NMS at all times except in the event that a systems malfunction renders the System incapable of displaying automated quotations.

25110. Clearly Erroneous Executions

- (a) *Definition.* For purposes of this Rule, the terms of a transaction executed on the BSTX System are “clearly erroneous” when there is an obvious error in any term, such as price, number of security tokens or other unit of trading, or identification of the security token. A transaction made in clearly erroneous error and canceled by both parties or determined by the Exchange to be clearly erroneous will be removed from all relevant data feeds disseminating last sale information for security token transactions.
- (b) *Request and Timing of Review.* A BSTX Participant that receives an execution on an order that was submitted erroneously to the Exchange for its own or customer account may request that the Exchange review the transaction under this Rule. An officer of BSTX or such other employee designee of BSTX (“Official”) shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public

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interest. Such request for review shall be made in writing via e-mail or other electronic means specified from time to time by the Exchange in a circular distributed to BSTX Participants.

- (1) *Requests for Review.* Requests for review must be received by the Exchange within thirty (30) minutes of execution time and shall include information concerning the time of the transaction(s), security symbol(s), number of security tokens, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the numerical guidelines set forth in paragraph (c)(1) of this Rule, the counterparty to the trade, if any, shall be notified by the Exchange as soon as practicable, but generally within thirty (30) minutes. An Official may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction shall provide any supporting written information as may be reasonably requested by the Official to aid resolution of the matter within thirty (30) minutes of the Official's request. Either party to the disputed trade may request supporting written information provided by the other party on the matter.
- (c) *Thresholds.* Determinations of whether an execution is clearly erroneous will be made as follows:
- (1) Subject to the provisions of paragraph (c)(2) below, a transaction executed during Regular Trading Hours shall be found to be clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for in circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

Reference Price, Circumstance or Product	Regular Trading Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price):
Greater than \$0.00 up to and including \$25.00	10%
Greater than \$25.00 up to and including \$50.00	5%
Greater than \$50.00	3%

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- (2) *Additional Factors.* An Official may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an initial public offering, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, validity of the reported trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.
- (d) *Outlier Transactions.* In the case of an Outlier Transaction, an Official may, in his or her sole discretion, and on a case-by-case basis, consider requests received pursuant to paragraph (b) of this Rule after thirty (30) minutes, but not longer than sixty (60) minutes after the transaction in question, depending on the facts and circumstances surrounding such request.
- (1) An “Outlier Transaction” means a transaction where the execution price of the security is greater than three times the current Numerical Guidelines set forth in paragraph (c)(1) of this Rule.
 - (2) If the execution price of the security in question is not within the Outlier Transaction parameters set forth in paragraph (d)(1) of this Rule but breaches the 52-week high or 52-week low, the Exchange may consider Additional Factors as outlined in paragraph (c)(2), in determining if the transaction qualifies for further review or if the Exchange shall decline to act.
- (e) *Review Procedures*
- (1) *Determination by Official.* Unless both parties to the disputed transaction agree to withdraw the initial request for review, the transaction under dispute shall be reviewed, and a determination shall be rendered by the Official. If the Official determines that the transaction is not clearly erroneous, the Official shall decline to take any action in connection with the completed trade. In the event that the Official determines that the transaction in dispute is clearly erroneous, the Official shall declare the transaction null and void. A determination shall be made generally within thirty (30) minutes of receipt of the complaint, but in no case later than the start of Regular Trading Hours on the following trading day. The parties shall be promptly notified of the determination.
 - (2) *Appeals.* If a BSTX Participant affected by a determination made under this Rule so requests within the time permitted below, the Chief Regulatory Officer of BSTX will review decisions made by the Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct determination was made; provided however that the Chief Regulator Officer of BSTX will not review decisions made by an Officer under paragraph (f) of this

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Rule if such Officer also determines under paragraph (f) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.

- i. A request for review on appeal must be made in writing via e-mail or other electronic means specified from time to time by BSTX in a circular distributed to BSTX Participant within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The Chief Regulatory Officer of BSTX shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review.
 - ii. The Chief Regulatory Officer of BSTX may overturn or modify an action taken by the Official under this Rule. All determinations by the Chief Regulatory Officer of BSTX shall constitute final action by the Exchange on the matter at issue.
 - iii. Any determination by an Official or by the Chief Regulatory Officer shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.
- (f) *System Disruption or Malfunctions.* In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of BSTX in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, an Officer of BSTX or other senior level employee designee, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period null and void. In such events, the Officer of BSTX or such other senior level employee designee will rely on the provisions of paragraph (c) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Officer of BSTX or other senior level employee designee pursuant to this paragraph (f) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of BSTX or senior level employee designee must be taken by no later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Each BSTX Participant involved in the transaction shall be notified as soon as practicable by BSTX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.
- (g) *Officer Acting on Own Motion.* An Officer of BSTX or senior level employee designee, acting on his or her own motion, may review potentially erroneous executions and declare trades null and void or shall decline to take any action in connection with the completed trade(s). In such events, the Officer of BSTX or such other senior level employee designee will rely on the provisions of paragraph (c) of this Rule. Absent extraordinary circumstances, any such action of the Officer of BSTX or other senior level employee designee shall be taken in a timely fashion, generally within thirty (30) minutes

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of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of BSTX or other senior level employee designee must be taken by no later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by BSTX, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

- (h) *Multi-Day Event*. A series of transactions in a particular security token on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the “Event”). An Officer of BSTX or senior level employee designee, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security token is halted before the valuation error is corrected, an Officer of BSTX or senior level employee designee shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security token. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each BSTX Participant involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.
- (i) *Trading Halts*. In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of BSTX or the responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer of BSTX or senior level employee designee, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer of BSTX or senior level employee designee shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each BSTX Participant involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

EXHIBIT 5A**25120. Short Sales**

- (a) *Marking*. All sell orders entered into the Exchange must be marked long, short, or short exempt.
- (b) *Definitions*. For purposes of this Rule, the terms “covered security,” “listing market,” and “national best bid” shall have the same meaning as in Rule 201 of Regulation SHO.
- (c) *Short Sale Price Test*. The BSTX System shall not execute or display a short sale order not marked short exempt with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the covered security, from the covered security's closing price on the listing market as of the end of Regular Trading Hours on the prior day (the “Trigger Price”).
- (d) *Determination of Trigger Price*. For covered securities, the BSTX System shall determine whether a transaction in a covered security has occurred at a Trigger Price and shall immediately notify the responsible single plan processor.
 - (1) If a covered security did not trade on BSTX on the prior trading day (due to a trading halt, trading suspension, or otherwise), BSTX’s determination of the Trigger Price shall be based on the last sale price on the BSTX System for that security token on the most recent day on which the security token traded.

25200 - Market Making on BSTX**25200. Registration as a BSTX Market Maker**

Quotations and quotation sizes may be entered into the BSTX System only by a Participant registered as a BSTX Market Maker or other entity approved by the Exchange to function in a market-making capacity on the BSTX System.

- (a) A BSTX Market Maker may become registered in a security token by entering a registration request via an Exchange-approved electronic interface with the BSTX System or by contacting the BSTX Operations Center. Registration shall become effective on the next trading day after the registration is entered. The Exchange may, in its discretion, provide for a registration to become effective on the day the registration is entered and will provide notice to the prospective BSTX Market Maker in such event.
- (b) A BSTX Market Maker’s registration in an issue shall be terminated by the Exchange if the market maker fails to enter quotations in the issue within five (5) business days after the market maker’s registration in the issue becomes effective.

25210. Market Maker Obligations

A Participant registered as a BSTX Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule. Each BSTX Market Maker must have and

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maintain minimum net capital of at least the amount required under Rule 15c3-1 of the Exchange Act.

(a) *Quotation Requirements and Obligations*

- (1) **Two-Sided Quote Obligation.** For each security token in which a Participant is registered as a BSTX Market Maker, the Participant shall be willing to buy and sell such security token for its own account on a continuous basis during Regular Trading Hours and shall enter and maintain a two-sided trading interest (“Two-Sided Obligation”) that is identified to the Exchange as the interest meeting the obligation and is displayed on the BSTX System at all times. Interest eligible to be considered as part of a Market Maker’s Two-Sided Obligation shall have a displayed quotation size of at least one normal unit of trading; provided, however, that a BSTX Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a “normal unit of trading” shall be one security token. After an execution against its Two-Sided Obligation, a BSTX Market Maker must ensure that additional trading interest exists on the Exchange to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or identifying to BSTX current resting interest that satisfies the Two-Sided Obligation.
- (2) **Pricing Obligations.** For security tokens a BSTX Market Maker shall adhere to the pricing obligations established by this Rule during the Regular Trading Hours; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the opening of the security token, and (ii) shall be suspended during a trading halt, suspension, or pause.
- (3) **Bid (Offer) Quotations.** At the time of entry of bid (offer) interest satisfying the Two-Sided Obligation, the price of the bid (offer) interest shall be not more than the Designated Percentage lower (higher) than the best bid (offer) in the marketplace, or if there is no bid (offer) in the marketplace, not more than the Designated Percentage lower (higher) than the last reported sale. In the event that the best bid (offer) in the marketplace (or if no bid (offer) in the marketplace, the last reported sale) increases to a level that would cause the bid (offer) interest of the Two-Sided Obligation to be more than the Defined Limit lower (higher) than the best bid (offer) in the marketplace (or if no bid (offer) in the marketplace, the last reported sale), or if the bid (offer) is executed or canceled, the BSTX Market Maker shall enter new bid (offer) interest at a price not more than the Designated Percentage lower (higher) than the then current marketplace bid (offer) (or if no marketplace bid (offer), the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.
- (4) For purposes of this Rule, the “Designated Percentage” shall be 30%. The Exchange may increase the Designated Percentage in the interest of a fair and orderly market, provided that Participants are notified via Regulatory Circular.
- (5) For purposes of this Rule, the “Defined Limit” shall be 31.5%. The Exchange

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may increase the Defined Limit in the interest of a fair and orderly market, provided that BSTX Participants are notified via Regulatory Circular.

- (6) Nothing in this Rule shall preclude a BSTX Market Maker from quoting at price levels that are closer to the best bid (offer) in the marketplace than the levels required by this Rule.
- (7) The minimum quotation increment for quotations shall be \$0.01.

(b) *Firm Quotations.*

- (1) All interests to buy and sell entered into the BSTX System by BSTX Market Makers are firm and automatically executable for their size in the BSTX System by all BSTX Participants.

(c) *Locked and Crossed Markets within the BSTX System:* Any interest entered into the BSTX System that would lock or cross another order in the BSTX System will be executed by the BSTX System.

(d) If the Exchange finds any substantial or continued failure by a BSTX Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such BSTX Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Exchange in one or more of the security tokens in which the BSTX Market Maker is registered. Nothing in this Rule will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Exchange with respect to the registration of a BSTX Market Maker or in respect to any violation by a BSTX Market Maker of the provisions of this Rule. In accordance with the Rule 13000 Series, a BSTX Participant may seek review of actions taken by the Exchange pursuant to this Rule.

(e) *Temporary Withdrawal.* A BSTX Market Maker, other than a DMM, may apply to the Exchange to withdraw temporarily from its BSTX Market Maker status in the security token in which it is registered. The BSTX Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the security token to another BSTX Market Maker.

25220. Registration and Obligations of Designated Market Makers

- (a) *General.* BSTX-listed security tokens may be assigned to a Designated Market Maker (“DMM”) and there will be no more than one DMM per BSTX-listed security token.
- (b) *Registration.* A Participant must be registered as a Market Maker and approved as a DMM to be eligible to receive an allocation as a DMM under Rule 25200. Each DMM must have and maintain minimum net capital of at least the amount required under Rule 15c3-1 of the Exchange Act.

- (1) Reserved.

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- (2) BSTX Market Makers must file an application in writing in such form as required by the Exchange to be considered eligible to receive an allocation as a DMM. In reviewing an application, the Exchange may consider the BSTX Market Maker's market making ability, capital available for market making, and such other factors as the Exchange deems appropriate, including those set forth in Rules 25230(f) and 25240. After reviewing the application, the Exchange will either approve or disapprove the applicant BSTX Market Maker's registration as a DMM.
 - (3) A BSTX Participant registered as a DMM in a security token may also be registered as a Market Maker in such security token pursuant to Rule 25200 only if such BSTX Participant maintains information barriers between the trading unit operating as a DMM and the trading unit operating as a BSTX Market Maker in the same security token.
 - (4) A DMM may apply to withdraw temporarily from its DMM status in one or more assigned security tokens. The DMM must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the security token or security tokens to another DMM. The DMM temporarily assigned such security token or security tokens will be subject to the obligations set forth in paragraph (c) of this Rule when acting as a temporary DMM in such security token or security tokens. The Exchange is not required to assign a DMM if the security token has an adequate number of BSTX Market Makers assigned to such security token.
 - (5) A DMM may not be registered in a security token of an issuer, or a partner or subsidiary thereof, if such entity is an approved person or affiliate of the DMM.
- (c) *DMM Obligations.* In addition to meeting the obligations set forth in Rule 25210 DMMs must maintain a bid or an offer at the best bid and best offer ("inside") at least 25% of the day as measured across all BSTX-listed security tokens that have been assigned to the DMM. Time at the inside is calculated as the average of the percentage of time the DMM unit has a bid or offer at the inside.

25230. DMM Security Token Allocation and Reallocation*(a) Eligibility for Security Token Allocation and Reallocation.*

- (1) Reserved.
- (2) A security token may be allocated to a DMM when such security token:
 - i. is initially listed on BSTX;
 - ii. must be reassigned under either this Rule; or

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- iii. when a security token is currently listed without a DMM assigned.
- (3) A DMM's eligibility to participate in the allocation process is determined at the time the interview is scheduled by the Exchange.
- (4) A DMM is eligible to participate in the allocation process of a listed security token if the DMM meets the quoting requirements specified in Rule 25220(c) ("DMM obligations").
 - i. If a DMM fails to meet the DMM obligations for a one-month period, the Exchange will issue an initial warning to the DMM advising it of the poor performance. The DMM must provide a written explanation and articulation of corrective action.
 - ii. If the DMM fails to meet the DMM obligations for a second consecutive month, the DMM will be ineligible to participate in the allocation process for a minimum of two months following the second consecutive month of its failure to meet its quoting requirement ("Penalty Period"). The DMM must satisfy the DMM obligations for the two consecutive months of the Penalty Period.
 - iii. If a DMM fails to meet the DMM obligations for the two consecutive months of the Penalty Period, the DMM will remain ineligible to participate in the allocation process until it has met DMM obligations for a consecutive two-calendar month period.
 - iv. The Exchange will review each DMM's trading on a monthly basis to determine whether the DMM has satisfied its DMM obligations.
- (b) *Allocation Process.* The issuer may select its DMM directly, delegate the authority to the Exchange to select its DMM, or opt to have an adequate number of non-DMM Market Makers assigned to its security token. After the Exchange provides written notice to DMMs that the issuer is listing on BSTX, no individual associated with a DMM may contact such issuer, or the Exchange if applicable, until the allocation is made, except as otherwise provided below.
 - (1) Issuer Selection of DMM Unit by Interview
 - i. The issuer may select multiple DMMs to interview from the pool of DMMs eligible to participate in the allocation process.
 - ii. Interview Between the Issuer and DMMs
 - A. DMMs selected for an interview may provide material to the Exchange, which will be given to the issuer prior to the scheduled interview. Such material may include a corporate overview of the DMM. DMMs are prohibited from giving issuers information about other DMMs or any additional market performance data.
 - B. Within five business days after the issuer selects the eligible

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DMMs to be interviewed (unless the Exchange has determined to permit a longer time period in a particular case), the issuer will meet with representatives of each of the DMMs. At least one representative of the listing company must be a senior official of the rank of Corporate Secretary or above of that company, or a designee of such senior official. In the case of the listing of a structured product, a senior officer of the issuer may be present in lieu of the Corporate Secretary. Representatives of each eligible DMM must participate in the meeting. Meetings will normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere.

- C. Teleconference meetings will be permitted at the request of issuers in compelling circumstances.
- D. Following its interview, a DMM may not have any contact with an issuer. If an issuer has a follow-up question regarding any DMM(s) it interviewed, it must be conveyed to the Exchange. The Exchange will contact the DMM(s) to which the question pertains and will provide any available information received from the DMM(s) to the listing company.
- E. Within two business days of the issuer's interviews with the DMMs, the issuer will select its DMM in writing, signed by a senior official of the rank of Corporate Secretary or higher, or in the case of a structured product listing, a senior officer of the issuer, duly authorized to so act on behalf of the company. The Exchange will then confirm the allocation of the security token to that DMM, at which time the security token will be deemed to have been so allocated. An issuer may request an extension from the Exchange if the issuer is unable to complete its selection within the specified period.

(2) Exchange Selection of DMM by Delegation

- i. If the issuer delegates authority to the Exchange to select its DMM, an Exchange Selection Panel ("ESP") will be convened to select a DMM. The ESP will consist of three Exchange employees designated by the CEO of the Exchange. Such issuer may choose to submit a letter to the ESP indicating its preference and supporting justification for a particular DMM. The ESP may consider such letter in performing its duty to select a DMM for the issuer. The ESP may also interview one or more individuals associated with a DMM.
- ii. The ESP will select the DMM and inform the issuer of its selection.

(3) The DMM selected to receive the security token allocation will be required to remain the assigned DMM for one year from the date that the issuer begins

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trading on BSTX. The Exchange may shorten such period upon compelling circumstances.

- (4) *Spin-Off or Related Company.* If a listing company is a spin-off of or a company related to a listed company, the listing company may remain with the DMM registered in the related listed company or be allocated through the allocation process under paragraph (b) of this Rule. The Exchange will honor a request by a spin-off company or company related to a listed company to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule instead of being allocated to the DMM that is its listed company's DMM. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive the spin-off and listing of related companies.
- (5) *Warrants.* A warrant issued by a listed company and traded on BSTX is allocated to the DMM registered in the underlying security token of the listed company. Upon request by the issuer, the warrant may be allocated through the allocation process under paragraph (b) of this Rule.
- (6) *Rights.* Rights traded on BSTX are not subject to the provisions of this Rule and are assigned, when issued, to a DMM by the Exchange.
- (7) *Relistings.* Relistings are treated as new listings and may be allocated through the allocation process under paragraph (b) of this Rule. If the relisting chooses to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule and requests not to be allocated to its former DMM, such request will be honored. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- (8) *Equity Security Token listing after Preferred Security Token.* When a company applies to list an issue of equity security tokens after having listed a preferred issue, the equity security token is referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- (9) *Listed Company Mergers.* When two Exchange-listed companies merge, the merged company may select one of the DMMs trading the merging companies without the security token being referred for reallocation, or it may request that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to be selected pursuant to this paragraph in its capacity as the DMM for one of the two pre-merger companies, but will not be eligible to participate in the allocation process if the post-merger listed company requests that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule.

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- i. If the merging company chooses to have its DMM selected by the Exchange under paragraph (b)(2) of this Rule, the company may not request that the Exchange not allocate the security token to one of the DMMs trading the merging company. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- ii. In situations involving the merger of a listed company and an unlisted company, the merged company may choose to remain registered with the DMM that had traded the listed company entity in the merger, or it may request that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to be selected pursuant to this paragraph in its capacity as the DMM for the pre-merger listed company, but will not be eligible to participate in the allocation process if the post-merger listed company requests that the matter be referred for allocation through the allocation process pursuant to paragraph (b) of this Rule.
- iii. If the unlisted company chooses to have its DMM selected by the Exchange pursuant to paragraph (b)(2) of this Rule, the company may not request that the Exchange exclude from consideration the DMM that had traded the listed company. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.

(10) *Target security token.*

- i. If a tracking (“target”) security token(s) is issued by a listed company, the listed company may choose to have its newly-issued tracking security token(s) stay with the DMM registered in the listed company that issued the tracking security token(s) or be referred for allocation through the allocation process under paragraph (b) of this Rule. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this paragraph.
- ii. If the listed company chooses to have the DMM of the tracking security tokens(s) selected by the Exchange pursuant to paragraph (b)(2) of this rule, the DMM registered in such security token prior to a separate listing will remain registered in such security token after its separate listing, unless the listing company requests that the matter be referred for allocation through the allocation process under paragraph (b) of this Rule. In such a case, the Exchange will honor the company’s request not to be allocated to the DMM that had traded the target security token. A DMM that is ineligible to receive a new allocation due to its failure to meet the DMM obligations will remain eligible to receive an allocation under this

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paragraph.

(11) *Closed-End Management Investment Companies (“Funds”)*. Funds listing on BSTX will be subject to the allocation process under paragraph (b) of this Rule. If the issuer of an initial Fund lists additional funds within nine months from the date of its initial listing, the issuer may choose to maintain the same DMM for those subsequently listed funds or it may select a different DMM from the group of eligible DMMs that the issuer interviewed or reviewed in the allocation process for its initial fund. The fund may also delegate the selection of its DMM to the Exchange if it so chooses under paragraph (b)(2) of this Rule.

- i. If a DMM is ineligible from participating in an allocation at the time of a subsequent new Fund listing (within the designated nine-month period), that DMM will not be included for consideration for subsequent listings.
- ii. In any case where all the Funds in a group of closed-end management investment companies are being listed concurrently with a common investment adviser or investment advisers who are “affiliated persons” pursuant to the alternate criteria in Rule 26000 Series of the BSTX Listing Guide (for groups where one or more Funds do not meet the ordinary requirement for public market value of \$16,000,000), the entire group should be allocated to one DMM, unless there are factors, such as the number of funds in the group, the types of funds, or the relative values of the funds, that the Exchange believes make allocation to more than one DMM appropriate.

(c) *Reallocation Process.*

(1) A listed company may file with the Corporate Secretary of the Exchange a written notice (the “Issuer Notice”), signed by the company’s chief executive officer, that it wishes to request a change of DMM. The Issuer Notice will indicate the specific issues prompting this request. The Corporate Secretary will provide copies of the Issuer Notice to the DMM currently registered in the security token and the Exchange’s staff.

- i. Exchange staff will review the Issuer Notice and any DMM. No change of DMM may occur until Exchange staff makes a final determination that it is appropriate to permit such change. In making such determination, Exchange staff may consider all relevant regulatory issues, including without limitation whether the requested change appears to be in aid or furtherance of conduct that is illegal or violates Exchange rules, or in retaliation for a refusal by a DMM to engage in conduct that is illegal or violates Exchange rules. Notwithstanding Exchange staff review of any matter raised during the process described herein, the Exchange may at any time take any regulatory action that it may determine to be warranted.
- ii. At the completion of the Exchange staff review, the security token will be put up for allocation under paragraph (b) of this Rule.

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- iii. No negative inference for allocation or regulatory purposes is to be made against a subject DMM in the event that a DMM is changed under paragraph (c) of this Rule. Similarly, the DMM will not be afforded preferential treatment in subsequent allocations as a result of a change pursuant to such provision.
- (2) In any instance where a DMM's performance in a particular market situation was, in the judgment of the Exchange, so egregiously deficient as to call into question the Exchange's integrity or impair the Exchange's reputation for maintaining an efficient, fair, and orderly market, the CEO or his or her designee may immediately initiate a reallocation proceeding upon written notice to the DMM and the issuer specifying the reasons for the initiation of the proceeding.
- i. Following this decision, if the CEO or his or her designee makes a final determination that a security token should be referred for reallocation, the CEO or his or her designee will, in his or her expert business judgment, be responsible for reallocating the security token to one of the remaining DMMs eligible for allocation.
 - ii. The CEO or his or her designee will then make a final determination as to which one or more of the DMM's security token(s) will be referred for reallocation. All determinations made by the CEO or his or her designee will be communicated in writing to the DMM, with a statement of the reasons for such determinations.
 - iii. A decision by the Exchange that one or more security tokens should be reallocated will be final, subject to the DMM's right to have such decision reviewed by the Exchange's Board of Directors.
 - iv. In the event that a DMM asserts its right to review, no reallocation may occur until the Board of Directors completes its review.
- (d) *Allocation Freeze Policy*. If a DMM:
- (1) loses its registration as a DMM in a security token as a result of proceedings under the Rule 12000 or 13000 Series as applicable;
 - (2) or voluntarily withdraws its registration in a security token assigned to it as a result of possible proceedings under those rules, the DMM will be ineligible to apply for future allocations for the six month period immediately following the reassignment of the security token ("Allocation Prohibition").
 - i. Following the Allocation Prohibition, a second six-month period will begin during which a DMM may participate in the allocation process under Rule 25230(b), if Exchange staff determines that such DMM may participate in such allocation process. In making this determination, Exchange staff will consider the DMM's particular situation and may consider whether the DMM has taken one or more steps:

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- A. supplying additional manpower/experience;
 - B. making changes in professional staff;
 - C. attaining appropriate dealer participation;
 - D. enhancing back-office staff; and
 - E. implementing more stringent supervision/new procedures.
- (e) *Allocation Sunset Policy.* Allocation decisions will remain effective with respect to any initial public offering listing company that lists on BSTX within 18 months of such decision. In situations in which the selected DMM merges or is involved in a combination within the 18-month period, the company may choose whether to stay with the selected DMM, or be referred to allocation. If a listing company does not list within 18 months, the matter will be referred for allocation through the allocation process under paragraph (b) of this Rule.
- (f) Criteria for applicants that are not currently DMMs to be eligible to be allocated a security token as a DMM.
- (1) Since an entity seeking to enter the DMM business does not have a history directly comparable to that of existing DMMs, the Exchange considers the following criteria with respect to such Participants.
 - i. The proposed DMM must demonstrate that it understands the DMM business, including the needs of issuers.
 - ii. The proposed DMM must demonstrate an ability and willingness to trade as necessary to maintain fair and orderly markets. If the proposed DMM or any of its participants is currently a DMM or market maker on any exchange, performance during the prior 12 months, as evidenced by available data maintained by such exchange that evaluates the quality of performance of the unit or its participants as a DMM or market maker on such exchange, will be considered by the Exchange.
 - iii. Other factors that will be considered by the Exchange include any action taken or warning issued within the past 12 months by any regulatory or self-regulatory organization against the unit or any of its participants with respect to any capital or operational problem, or any regulatory or disciplinary matter.

25240. DMM Combination Review Policy

- (a) No DMM will complete a “proposed combination” (as defined below in paragraph (b) of this rule) with one or more other DMMs unless the combination has been approved by the Exchange.
- (b) For purposes of this rule, a “proposed combination” means:
- (1) a transaction in which two or more DMMs agree to merge or otherwise combine

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their businesses, with the result that the total number of existing independent DMMs will be reduced;

- (2) two or more DMMs agree to combine their businesses with the result that the existing number of DMMs will not be reduced, but one or more of the surviving units is substantially reduced in size; or
 - (3) a DMM merges or otherwise combines with a non-DMM business resulting in a change of control of the existing DMM.
- (c) Proponents of a DMM combination must make a written submission to the Office of the Corporate Secretary of the Exchange, discussing all the factors for review pursuant to subparagraph (d) below. The written submission should also address and discuss:
- (1) performance in any securities, including security tokens, received through previous combinations or transfers of registrations during the preceding two years;
 - (2) whether the proposed combined DMM will have a real-time surveillance system that monitors DMM trading and uses exception alerts to detect unusual trades or trading patterns;
 - (3) whether the proposed combined DMM will have disaster recovery facilities for its computer network and software; and
 - (4) whether the combined DMM will designate a senior staff member to be responsible for reviewing DMM performance data, with specific procedures for correcting any deficiencies identified.
- (d) The Exchange will consider the following criteria in its review of a proposed combination:
- (1) the ability of the DMM resulting from the transaction to comply with Exchange rules, including Rules 25210 and 25220;
 - (2) whether the proposed combination minimizes both the potential for financial failure and the negative consequences of any such failure on the DMM system as a whole;
 - (3) whether the proposed combination maintains or increases operational efficiencies;
 - (4) the surviving DMM's commitment to the BSTX market, including but not limited to whether the constituent DMM:
 - i. works to support, strengthen and advance BSTX, its market and its competitiveness in relation to other markets;
 - ii. participates upon request in BSTX's marketing seminars, sales calls and other marketing initiatives seeking to attract order flow and new listings;
 - iii. accepts innovations in order-routing and other trade-support systems and

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- willingness to make optimal use of the systems once they become fully operational;
- iv. engages in efforts to streamline the efficiency of its own operations and its competitive posture;
 - v. The effect of the proposed combination on overall concentration of DMMs; and
 - vi. The number of non-DMM Market Makers assigned to the security tokens of the surviving and non-surviving DMMs, respectively.
- (e) Where a proposed combination involves an organization that is not a DMM, consideration will entail an assessment of whether the organization will work to support, strengthen and advance BSTX, and its competitiveness in relation to other markets.
- (f) The Exchange will approve or disapprove a proposed combination within 10 business days based on its assessment of the criteria pursuant to subparagraph (d) above and, in the case of a proposed combination involving a non-DMM, its assessment of the additional criterion pursuant to subparagraph (e) above. The Exchange reserves the right to extend its review process if the information submitted by the proponents of the DMM combination is inadequate or requires additional time to review to enable the Exchange to reach a decision.
- (l) The Exchange will approve a proposed combination if the proposed combination satisfies the criteria set forth in paragraph (d) of this Rule, and if the Exchange determines that the proposed combination would:
 - i. not create or foster concentration in the DMM business detrimental to the Exchange and its markets;
 - ii. foster competition among DMMs; and
 - iii. enhance the performance of the constituent DMM and the quality of the markets in the security tokens involved.
- (g) The Exchange may condition its approval upon compliance by the resulting DMM with any steps the Exchange may specify to address any concerns it may have in regard to considerations of the above criteria.
- (h) In any instance where the Exchange does not approve a proposed DMM combination, the proponents of such proposed combination have a right to have such decision reviewed by the Exchange's Board of Directors.

26000 – BSTX LISTING RULES**26000. Definitions**

- (a) With respect to these BSTX Listing Standards, the following terms shall have the meanings specified in this Rule 26000. A term defined elsewhere in these Rules shall

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have the same meaning with respect to this Rule 26000 Series, unless otherwise defined below.

- (1) The term “BSTX Listing Standards” or “BSTX Listing Requirements” refer to the Exchange’s Rules, policies, and any supplemental material governing the listing of security tokens on BSTX.
- (2) The term “BSTX security token Protocol” refers to the specific requirements that a security token on BSTX must have in order to be admitted to dealing on BSTX. The protocol is made publicly available on the Exchange’s website.
- (3) The term “Covered Security” means a security described in Section 18(b) of the Securities Act of 1933.
- (4) The term “Initial security token Offering” or “ISTO” means the public offering of a company’s equity security token where such security being the company’s Primary Equity Security.
- (5) The terms “public distribution” and “public security token holders” as used herein include both shareholders of record and beneficial holders, but are exclusive of the holdings of officers, directors, controlling shareholders and other concentrated (i.e. 10% or greater), affiliated or family holdings.
- (6) The term “Primary Equity Security” means a company’s first class of common stock, equity security tokens, Ordinary Shares, Shares or Certifications of Beneficial Interest of Trust, Limited Partnership Interests, or American Depositary Receipts (“ADRs”) or Shares (“ADRs”).
- (7) The term “Round Lot” means 100 security tokens of a particular issuer.
- (8) The term “shareholder” means a record or beneficial owner of a security, including a security token.

26101. General

The approval of an application for the listing of a security token for trading on BSTX is a matter solely within the discretion of the Exchange. The Exchange has established certain minimum numerical standards, set forth below. The fact that an applicant may meet the Exchange’s numerical standards does not necessarily mean that its application will be approved. Other factors which will also be considered include, but are not limited to, the nature of an issuer’s business, the market for its products, its regulatory history, its past corporate governance activities, the reputation of its management, its historical record and pattern of growth, its financial integrity (including, but not limited to, any filing for protection under any provision of the federal bankruptcy laws or comparable foreign laws, the issuance by an issuer’s independent accountants of a disclaimer opinion on financial statements required to be audited, or failure to provide a required certification along with financial statements), its demonstrated earning power and its future outlook.

For an ISTO on BSTX, a company’s security token must meet the following requirements:

- (a) Initial Listing Standard 1

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- (1) Size—security token holder’s equity of at least \$3,200,000.
 - (2) Income—Pre-tax income from continuing operations of at least \$600,000 in its last fiscal year, or in two of its last three fiscal years.
 - (3) Distribution— Meet one of the standards in Rule 26102(a).
 - (4) Aggregate Market Value of Publicly Held security tokens – \$2,400,000.
 - (5) Security token Price/Market Value of security tokens Publicly Held—See Rule 26102(b).
- (b) Initial Listing Standard 2
- (1) History of Operations—Two years of operations.
 - (2) Size—security token holder’s equity of at least \$3,200,000.
 - (3) Distribution— Meet one of the standards in Rule 26102(a).
 - (4) Aggregate Market Value of Publicly Held security tokens—\$12,000,000.
 - (5) Security token Price/Market Value of security tokens Publicly Held—See Rule 26102(b).
- (c) Initial Listing Standard 3
- (1) Size—security token holder’s equity of at least \$3,200,000.
 - (2) Total Value of Market Capitalization—\$40,000,000.
 - (3) Aggregate Market Value of Publicly Held security tokens—\$12,000,000.
 - (4) Distribution— Meet one of the standards in Rule 26102(a).
 - (5) Security token Price/Market Value of security tokens Publicly Held—See Rule 26102(b).
- (d) Initial Listing Standard 4
- (1) Total Value of Market Capitalization—\$60,000,000; or Total assets and total revenue—\$60,000,000 each in its last fiscal year, or in two of its last three fiscal years.
 - (2) Aggregate Market Value of Publicly Held security tokens—\$16,000,000.
 - (3) Distribution— Meet one of the standards in Rule 26102(a).
 - (4) Security token Price/Market Value of security tokens Publicly Held—See Rule 26102(b).
- (e) For purposes of this Rule 26101(e), a “Reverse Merger” means any transaction whereby an operating company becomes an Exchange Act reporting company by combining directly or indirectly with a shell company which is an Exchange Act reporting company, whether through a reverse merger, exchange offer, or otherwise. However, a Reverse Merger does not include the acquisition of an operating company by a listed company which qualified for initial listing under Rule 26119. In determining whether a company is a shell company, the Exchange will consider, among other factors: whether the Company

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is considered a “shell company” as defined in Rule 12b-2 under the Exchange Act; what percentage of the company’s assets are active versus passive; whether the company generates revenues, and if so, whether the revenues are passively or actively generated; whether the company’s expenses are reasonably related to the revenues being generated; how many employees work in the company’s revenue-generating business operations; how long the company has been without material business operations; and whether the company has publicly announced a plan to begin operating activities or generate revenues, including through a near-term acquisition or transaction. In order to qualify for initial listing, a company that is formed by a Reverse Merger (a “Reverse Merger Company”) must comply with one of the initial listing standards set forth in Rules 26101 (a)—(d) and the applicable requirements of Rule 26102. In addition to satisfying all of the Exchange’s other initial listing requirements, a Reverse Merger Company shall be eligible to submit an application for initial listing only if the combined entity has, immediately preceding the filing of the initial listing application:

- (1) traded for at least one year in the U.S. over-the-counter market, on another national securities exchange or on a regulated foreign exchange following the consummation of the Reverse Merger and (i) in the case of a domestic issuer, has filed with the Commission a Form 8-K containing all of the information required by Item 2.01(f) of Form 8-K, including all required audited financial statements, after the consummation of the Reverse Merger, or (ii) in the case of a foreign private issuer, has filed all of the information described in (i) above on Form 20-F;
- (2) maintained a closing price equal to the security token price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for a sustained period of time, but in no event for less than 30 of the most recent 60 trading days prior to the filing of the initial listing application; and
- (3) filed with the Commission all required reports since the consummation of the Reverse Merger, including the filing of at least one annual report containing all required audited financial statements for a full fiscal year commencing on a date after the date of filing with the Commission of the filing described in (1) above. In addition, in order to qualify for listing, a Reverse Merger Company must have timely filed all required reports for the most recent 12-month period prior to the listing date. In addition, a Reverse Merger Company will be required to maintain a closing price equal to the security token price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for a sustained period of time, but in no event for less than 30 of the most recent 60 trading days prior to the date of the Reverse Merger Company’s listing. A Reverse Merger Company will not be subject to the requirements of this Rule 26101(e) if it is listing in connection with a firm commitment underwritten public offering where the proceeds to the Reverse Merger Company will be at least \$40,000,000 and the offering is occurring subsequent to or concurrently with the Reverse Merger. In addition, a Reverse Merger Company will not be subject to the requirement of this Rule 26101(e) that it must maintain a closing price equal

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to the security token price requirement applicable to the initial listing standard under which the Reverse Merger Company is qualifying to list for at least 30 of the most recent 60 days prior to each of the filing of the initial listing application and the date of the Reverse Merger Company's listing, if it has satisfied the one-year trading requirement contained in paragraph (1) above and has filed at least four annual reports with the Commission which each contain all required audited financial statements for a full fiscal year commencing after filing the information described in paragraph (1) above. However, such companies will be required to (i) comply with the applicable price requirement of Rule 26102(b) at the time of each of the filing of the initial listing application and the date of the Reverse Merger Company's listing and (ii) not be delinquent in their filing obligations with the Commission. In either of the cases described in this paragraph, the Reverse Merger Company will only need to meet the requirements of one of the financial initial listing standards in Rule 26101(a) in addition to all other applicable non-financial listing standard requirements, including, without limitation, the requirements of Rules 26102(a) and 26102(b) and the applicable corporate governance requirements of the Rule 26800 Series.

- (f) The Exchange will generally authorize the listing of a unit if each of the component parts meet the applicable requirements for listing.
- (g) Closed-End Management Investment Companies—The Exchange will generally authorize the listing of a closed-end management investment company registered under the Investment Company Act of 1940 (a “Closed-End Fund”) that meets the following criteria:
 - (1) Size—market value of publicly held security tokens or net assets of at least \$16,000,000; or
 - (2) A Closed-End Fund which is part of a group of Closed-End Funds which are or will be listed on BSTX, and which are managed by a common investment adviser or investment advisers who are “affiliated persons” as defined in Section 2(a)(3) of the Investment Company Act of 1940 as amended (the “Group”), is subject to the following criteria:
 - i. The Group has a total market value of publicly held security tokens or net assets of at least \$60,000,000;
 - ii. The Closed-End Funds in the Group have an average market value of publicly held security tokens or net assets of at least \$12,000,000; and
 - iii. Each Closed-End Fund in the Group has a market value of publicly held security tokens or net assets of at least \$8,000,000.
 - (3) Distribution—See Rule 26102(a).
- (h) Additional criteria applicable to various classes of security tokens and issuers are set forth below. Applicants should also consider the policies regarding conflicts of interest, independent directors and voting rights described in Rules 26120-26125.
- (i) In addition to the numerical listing standards, the Exchange has adopted certain corporate

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governance listing standards, which are set forth in the Rule 26800 Series.

(j) Initial Listing Requirements for Secondary Classes.²

- (1) When the Primary Equity Security is listed on BSTX or is a Covered Security, a Company's secondary class as an equity security token must meet all of the requirements in Rules (1) through (4) below in order to be listed.
 - i. Minimum bid price of at least \$3 per security token;
 - ii. At least 80 Round Lot holders;
 - iii. At least 160,000 Publicly Held security tokens; and
 - iv. Market Value of Publicly Held security tokens of at least \$2.8 million.
- (2) In the event the Company's Primary Equity Security is not listed on BSTX or is not a Covered Security, the secondary class as an equity security token may be listed on BSTX so long as it satisfies the initial listing criteria for security tokens set forth in the initial listing standards outlined above in Rule 26101.
- (3) The listing requirements for preferred security tokens can be found in Rule 26103.

IM-26101-01 Corporate Governance Standards

In addition to the numerical listing standards, the Exchange has adopted certain corporate governance listing standards, which are set forth in Rule 26800 Series.

IM-26101-02

Reserved

26102. Equity Issues

- (a) Distribution— meet a least one of the following standards:
- (1) minimum public distribution of 400,000, together with a minimum of 640 public security token holders;
 - (2) minimum public distribution of 800,000 security tokens together with a minimum of 320 public security token holders; or
 - (3) minimum of 400,000 security tokens publicly held, a minimum of 320 public security token holders and daily trading volume in the issue has been approximately 1,600 security tokens or more for the six months preceding the date of application. In evaluating the suitability of an issue for listing under this trading provision, the Exchange will review the nature and frequency of such activity and such other factors as it may determine to be relevant in ascertaining whether such issue is suitable for trading on BSTX. A security token which trades

² From NASDAQ RULE 5510

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infrequently will not be considered for listing under this paragraph even though average daily volume amounts to 1,600 security tokens per day or more.

In addition, the Exchange may also consider the listing of the security tokens of a bank which has a minimum of 400,000 security tokens publicly held and a minimum of 320 public security token holder. Except for banks, companies whose security tokens are concentrated in a limited geographical area, or whose security tokens are largely held in block by institutional investors, are normally not considered eligible for listing unless the public distribution appreciably exceeds 400,000 security tokens.

- (b) **Stock Price/Market Value of security tokens Publicly Held**—The Exchange requires a minimum market price of \$3 per security token for applicants seeking to qualify for listing pursuant to Rule 26101 (a), (b) or (d), and a minimum market price of \$2 per security token for applicants seeking to qualify for listing pursuant to Rule 26101(c).
- (c) **Voting Rights**—See Rule 26122.

26103. Preferred Security Tokens

The listing of preferred issues is considered on a case by case basis, in light of the suitability of the issue for trading on BSTX.

The Exchange, as a general rule, will not consider listing the convertible preferred security tokens of a company unless current last sale information is available with respect to the underlying common stock or equity security token into which the preferred security token is convertible.

Companies applying for listing of a preferred security token are expected to meet the following criteria:

- (a) **Size and Earnings**—The company appears to be in a financial position sufficient to satisfactorily service the dividend requirements for the preferred security token and meets the size and earnings criteria set forth in Rule 26101 above.
- (b) **Distribution**—In the case of an issuer whose Primary Equity Security is traded on BSTX or is a Covered Security, the preferred security token must satisfy one of the following standards:
 - (1) **Preferred Security Token Distribution Standard 1.**

Security Tokens Publicly Held	80,000
Aggregate Public Market Value/Price	\$1,600,000/\$8

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- (2) Preferred Security Token Distribution Standard 2.³
- i. Minimum bid price of at least \$3 per security token;
 - ii. At least 80 Round Lot holders;
 - iii. At least 160,000 Publicly Held Security Tokens; and
 - iv. Market Value of Publicly Held Security Tokens of at least \$2.8 million.

To ensure adequate public interest in the preferred security token of non-listed issuers, the Exchange has established the following standards:

Preferred Security Tokens Publicly Held	320,000
Public Round-Lot Security Token Holders	640
Aggregate Public Market Value/Price	\$3,200,000/\$8

Alternatively, in the event the Company's Primary Equity Security is not listed on BSTX or is not a Covered Security, the preferred security token may be listed on BSTX so long as it satisfies the initial listing criteria for security tokens set forth in the initial listing standards outlined above in Rule 26101.

- (c) Voting Rights—See Rule 26124.
- (d) Conversion Provisions—The Exchange will not list convertible preferred security tokens containing a provision which gives the company the right, at its discretion, to reduce the conversion price for periods of time or from time to time unless the company establishes a minimum period of ten business days within which such price reduction will be in effect.

26104. Reserved**26105. Warrant Security Tokens**

The listing of warrant security tokens is considered on a case by case basis. The Exchange will not consider listing the warrant security token of a company unless the equity security token or other class of security tokens underlying the warrants are listed and in good standing on BSTX and there are at least 160,000 warrant security tokens publicly held by not less than 80 public warrant holders. The Exchange may also consider the listing of warrant security tokens of a company if the security underlying the warrants is a Covered Security and in good standing on their primary market. In addition, to be listed, warrant security tokens issues are expected to meet the following criteria:

³ From NASDAQ RULE 5510

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- (a) **Exercise Provisions**—The Exchange will not list warrant security tokens containing provisions which give the company the right, at its discretion, to reduce the exercise price of the warrants for periods of time, or from time to time, during the life of the warrants unless (i) the company undertakes to comply with any applicable tender offer regulatory provisions under the federal securities laws, including a minimum period of 20 business days within which such price reduction will be in effect (or such longer period as may be required under the SEC’s tender offer rules) and (ii) the company promptly gives public notice of the reduction in exercise price in a manner consistent with the Exchange’s immediate release policy set forth in Rule 26401 hereof. The Exchange will apply the requirements in the preceding sentence to the taking of any other action that has the same economic effect as a reduction in the exercise price of a listed warrant. This policy will not preclude the listing of warrant security tokens for which regularly scheduled and specified changes in the exercise price have been previously established at the time of issuance of the warrants.
- (b) Warrant issuers are advised that the Exchange requires advance notice of any extension of the Expiration Date of the security token Warrants. It is suggested that warrant issuers provide at least two months notice in this regard, but in no event less than 20 days. (See Rule 26920.)
- (c) Whenever a company having warrants listed on BSTX effects a split of 3 for 2 or greater in the underlying security token or security, the Exchange requires that a corresponding split be made in the warrants.

26106. Market Maker Requirement

- (a) Unless otherwise provided, all security tokens listed pursuant to the BSTX Listing Standards require at least one of the following:
- (1) at least two registered and active Market Makers; or
 - (2) a DMM is assigned to the security token.

26107. Reserved**26108. Assessable Securities**

The Exchange will not accept applications to list assessable securities.

26109. Canadian Companies

The financial criteria for listing security tokens of Canadian companies are the same as for United States companies (see Rule 26101). With respect to public distribution (Rule 26102), consideration will be given to the total number of security token holders and publicly held security tokens in Canada and the United States. Current U.S. market interest will also be considered in evaluating the suitability of the issue for trading BSTX.

26110. Reserved**26111. One Product/One Customer Complaints**

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As indicated in Rule 26101, the character of the market for an applicant's products is an important element in considering original listing applications. Thus, even though a particular company meets all BSTX's numerical criteria, it may not be eligible for listing if it:

- (a) produces a single product or line of products or engages in a single service; and/or
- (b) sells such product or products to, or performs such service for, only one or a limited number of customers.

26112. Reserved**26113. Security Token Transfers**

The Exchange will consider applications for the listing of security tokens where the issuer's securities are currently traded on another national securities exchange when the applicant meets approximately one-half of the prescribed standards for original listing.

26114. Reserved**26115. Reserved****26116. Reserved****26117. Paired Security Tokens**

The Exchange may consider the listing of paired security tokens (that is, security tokens which may be transferred and traded only in combination with one another as a single economic unit) based on the ability of the combined entity to satisfy the size and earnings criteria set forth in Rule 26101.

In the event the pairing agreement is terminated, the entity which initially met the original listing standards need only satisfy the Exchange's continued listing standards in order to remain on BSTX. The other entity, however, which at the time of listing did not by itself qualify under Rule 26101, must, at the time of termination, meet both the financial (Rule 26101) and distribution (Rule 26102) standards in order to remain listed on BSTX.

26118. Reserved**26119. Listing of Companies Whose Business Plan Is to Complete One or More Acquisitions**

Generally, the Exchange will not permit the initial or continued listing of a company that has no specific business plan or that has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

However, in the case of a company whose business plan is to complete an initial public offering and engage in a merger or acquisition with one or more unidentified companies within a specific period of time, the Exchange will permit the listing if the company meets all applicable initial listing requirements, as well as the conditions described below.

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- (a) At least 90% of the gross proceeds from the initial public offering and any concurrent sale by the company of equity security tokens must be deposited in a trust account maintained by an independent trustee, an escrow account maintained by an “insured depository institution”, as that term is defined in Section 3(c)(2) of the Federal Deposit Insurance Act, or in a separate bank account established by a registered broker or dealer (collectively, a “deposit account”).
- (b) Within 36 months of the effectiveness of its initial public offering registration statement, or such shorter period that the company specifies in its registration statement, the company must complete one or more business combinations having an aggregate fair market value of at least 80% of the value of the deposit account (excluding any deferred underwriter’s fees and taxes payable on the income earned on the deposit account) at the time of the agreement to enter into the initial combination.
- (c) Until the company has satisfied the condition in paragraph (b) above, each business combination must be approved by a majority of the company’s independent directors.
- (d) Until the company has satisfied the condition in paragraph (b) above, if the company holds a shareholder vote on a business combination for which the company must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 in advance of the shareholder meeting, the business combination must be approved by a majority of the security tokens voting at the meeting at which the combination is being considered. If a shareholder vote on the business combination is held, public security token holders voting against a business combination must have the right to convert their security tokens into a pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes) if the business combination is approved and consummated. A company may establish a limit (set no lower than 10% of the security tokens sold in the initial public offering) as to the maximum number of security tokens with respect to which any shareholder, together with any affiliate of such shareholder or any person with whom such shareholder is acting as a “group” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), may exercise such conversion rights. For purposes of this paragraph (d), public shareholder excludes officers and directors of the company, the company’s sponsor, the founding shareholders of the company, any family member or affiliate of any of the foregoing persons, and other concentrated holdings of 10% or more. For purposes of this Rule, “family member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.
- (e) Until the company has satisfied the condition in paragraph (b) above, if a shareholder vote on the business combination is not held for which the company must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, the company must provide all shareholders with the opportunity to redeem all their security tokens for cash equal to their pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes), pursuant to Rule 13e-4 and Regulation 14E under the Securities Exchange Act of 1934, which regulate issuer tender offers. The

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company must file tender offer documents with the Securities and Exchange Commission containing substantially the same financial and other information about the business combination and the redemption rights as would be required under Regulation 14A of the Securities Exchange Act of 1934, which regulates the solicitation of proxies.

- (f) Until the company completes a business combination where all conditions in paragraph (b) above are met, the company must notify the Exchange on the appropriate form about each proposed business combination. Following each business combination, the combined company must meet the requirements for initial listing. If the company does not meet the requirements for initial listing following a business combination or does not comply with one of the requirements set forth above, the Exchange shall commence delisting proceedings under Rule 27010 to delist the company's security tokens. The company shall not be eligible to follow the procedures to cure deficiencies outlined in Rule 27009.

26120. Certain Relationships and Transactions

Related party transactions must be subject to appropriate review and oversight by the company's Audit Committee or a comparable body of the Board of Directors.

26121. Corporate Governance

Each listed issuer must satisfy the Corporate Governance requirements of the Rule 26800 Series.

26122. Voting Rights

The following voting rights policy is based upon, but more flexible than, former SEC Rule 19c-4. Accordingly, the Exchange will permit corporate actions or issuances by listed companies that would have been permitted under Rule 19c-4, as well as other actions or issuances that are not inconsistent with the new Policy. In evaluating such other actions or issuances, the Exchange will consider, among other things, the economics of such actions or issuances and the voting rights being granted. The Exchange's interpretations under the Policy will be flexible, recognizing that both the capital markets and the circumstances and needs of listed companies change over time. The text of the Exchange's Voting Rights Policy is as follows:

Voting rights of existing shareholders of publicly traded common stock or equity security tokens registered under Section 12 of the Exchange Act cannot be disparately reduced or restricted through any corporate action or issuance. Examples of such corporate action or issuance include, but are not limited to, the adoption of time-phased voting plans, the adoption of capped voting rights plans, the issuance of super voting security tokens or stock, or the issuance of security tokens or stock with voting rights less than the per share voting rights of the existing equity security tokens or common stock through an exchange offer.

IM-26122-1 Companies with Dual Class Structures

The above restriction against the issuance of super voting stock or security tokens is primarily intended to apply to the issuance of a new class of security token or stock, and companies with

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existing dual class capital structures would generally be permitted to issue additional security tokens or shares of the existing super voting stock or security tokens without conflict with this policy.

IM-26122-2 Consultation with the Exchange

Violation of the Exchange's Voting Rights Policy could result in the loss of an issuer's exchange market or public trading market. The Policy can apply to a variety of corporate actions and securities issuances, not just super voting or so-called "time phase" voting. While the Policy will continue to permit actions previously permitted under Rule 19c-4, it is extremely important that listed companies communicate their intentions to their Exchange representatives as early as possible before taking any action or committing to take any action that may be inconsistent with the Policy. The Exchange urges listed companies not to assume, without first discussing the matter with the Exchange, that a particular issuance of equity or preferred security tokens, or the taking of some other corporate action will necessarily be consistent with the Policy. It is suggested that copies of preliminary proxy or other material concerning matters subject to the Policy be furnished to the Exchange for review prior to formal filing.

IM-26122-3 Review of Past Voting Rights Activities

In reviewing an application for initial listing on the Exchange, the Exchange will review the issuer's past corporate actions to determine whether another self-regulatory organization ("SRO") has found any of the issuer's actions to have been a violation or evasion of the SRO's voting rights policy. Based on such review, the Exchange may take any appropriate action, including the denial of the listing or the placing of restrictions on such listing. The Exchange will also review whether an issuer seeking initial listing on the Exchange has requested a ruling or interpretation from another SRO regarding the application of that SRO's voting rights policy with respect to a proposed transaction. If so, the Exchange will consider that fact in determining its response to any ruling or interpretation that the issuer may request on the same or similar transaction.

IM-26122-4 Non-U.S. Companies

The Exchange will accept any action or issuance relating to the voting rights structure of a non-U.S. company that is in compliance with the Exchange's requirements for domestic companies or that is not prohibited by the Company's home country law.

26123. Quorum

The Exchange expects that an appropriate quorum of the security tokens issued and outstanding and entitled to vote will be provided for by the by-laws of companies applying for the original listing of voting security tokens. The Exchange recommends a quorum of at least 33 1/3%. If less is specified, the Exchange should be consulted before filing the original listing application.

26124. Preferred Voting Rights

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- (a) Upon default—To be eligible for listing, the holders of a preferred security token should acquire the right, voting as a class, to elect at least two members of the company’s board of directors no later than two years after an incurred default in the payment of fixed dividends.
- (b) In all cases—The Exchange may decline to list a preferred security token, unless preferred security token holders have the right, voting as a class, to vote on:
- (1) Alteration of Existing Provisions:
 - i. Approval by the holders of at least two-thirds of the outstanding preferred security tokens should be required for adoption of any charter or by-law amendment that would materially affect existing terms of the preferred security token.
 - ii. If all series of a class of preferred security token are not equally affected by a proposed change to the existing terms of the preferred security token, a two-thirds approval of the class and a two-thirds approval of the series that will have a diminished status should be required to authorize such change.
 - iii. The charter should not hinder the preferred security token holders’ right to alter the terms of a preferred security token by limiting modification to specific items, e.g., interest rate, redemption price.
 - (2) Creation of a Senior Issue:
 - i. Creation of a senior issue should require approval of at least two-thirds of the outstanding preferred security tokens. The board of directors may create a senior series of preferred security token without a vote by an existing series if such action was authorized by preferred security token holders at the time the existing series was created.
 - ii. A vote by an existing class of preferred security token is not required for the creation of a senior issue if the existing class received adequate notice of redemption to occur within 90 days. However, a vote by an existing class is required if all or part of the existing issue is being retired with proceeds from the sale of the new issue.
 - (3) Increase in Authorized Amount or Creation of a Pari Passu Issue: An increase in the authorized amount of a class of preferred security token or the creation of a pari passu issue should be approved by at least a majority of the outstanding security tokens of the class or classes to be affected. The board of directors may increase the authorized amount of a series or create an additional series ranking pari passu without a vote by the existing series if such action was authorized by preferred security token holders at the time the class of preferred security token was created.

26125. Reserved**26126. Limited Partnerships**

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No security token issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act), shall be eligible for listing unless (i) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (ii) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the Exchange with an opinion of counsel stating that such broker-dealer's participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

In addition to any other applicable requirements, each limited partnership listed on the Exchange shall have a corporate general partner or co-general partner which must satisfy the independent director and audit committee requirements of Rule 26803.

Note: The only currently existing national securities association subject to Section 15A(b)(12) of the Act is FINRA. Its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are specified in FINRA Rule 2310.

26128. Reserved**26127. Use of Discretionary Authority**

The Exchange may use its authority under the BSTX Listing Standards to deny initial or continued listing to an issuer when the issuer and/or an individual associated with the issuer has a history of regulatory misconduct. Such individuals are typically an officer, director, substantial security holder (as defined in IM-26127-1 below) or consultant to the issuer. In making this determination, the Exchange shall consider a variety of factors, including the severity of the violation; whether it involved fraud or dishonesty; whether it was securities-related; whether the investing public was involved; when the violation occurred; how the individual has been employed since the violation; whether there are continuing sanctions against the individual; whether the individual made restitution; whether the issuer has taken effective remedial action; and the totality of the individual's relationship to the issuer.

Based on this review, the Exchange may determine that the regulatory history rises to the level of a public interest concern, but may also consider whether remedial measures proposed by the issuer, if taken, would allay that concern. Examples of such remedial measures could include the individual's resignation from officer and director positions; divestiture of holdings; terminations of contractual arrangements between the issuer and the individual; or the establishment of a voting trust surrounding the individual's shares or security tokens. Alternatively, the Exchange may conclude that a public interest concern is so serious that no remedial measure would be sufficient to alleviate it. In the event that the Exchange makes such a determination, the issuer may seek review of that determination through the procedures set forth in the Rule 27200 Series.

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The Exchange may also use its discretionary authority, for example, when an issuer files for protection under any provision of the federal bankruptcy laws or comparable foreign laws, when an issuer's independent accountants issue a disclaimer opinion on financial statements required to be audited, or when financial statements do not contain a required certification.

In addition, pursuant to its discretionary authority, the Exchange shall review an issuer's past corporate governance activities. This review may include activities taking place while the issuer is listed on the Exchange or another marketplace that imposes corporate governance requirements, as well as activities taking place after a formerly listed issuer is no longer listed on the Exchange or such marketplace. Based on such review, and in accordance with Exchange listing requirements, the Exchange may take any appropriate action, including placing restrictions on or adding requirements for listing, or denying listing of a security token if the Exchange determines that there have been violations or evasions of corporate governance standards. Such determinations shall be made on a case-by-case basis as necessary to protect investors and the public interest.

Although the Exchange has broad discretion to impose additional or more stringent criteria, the rules do not provide a basis for the Exchange to grant exemptions or exceptions from the enumerated criteria for initial or continued inclusion, which may be granted solely pursuant to rules explicitly providing such authority.

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An interest consisting of more than either 5% of the number of shares of common stock plus any Security tokens representing common equity or 5% of the voting power outstanding of an issuer or party shall be considered a substantial interest and cause the holder of such an interest to be regarded as a substantial security holder.

26129. Reserved**26130. Original Listing Applications**

Applicants must register the security token to be listed under Section 12(b) of the Exchange Act (Rule 26210) and submit an original listing application (Rule 26211).

In addition, the applicant must provide a legal opinion that the applicant's security token is a security under applicable United States securities laws.

26131. Additional Listings; Cancellation of Listing Authority

Following listing, companies and their registrars are not permitted to issue or countersign any security tokens in excess of those authorized for listing, until the Exchange has approved an additional listing application covering the additional security tokens as described in Rules 26301-26306. Listing authority for a particular purpose may be cancelled as described in Rule 26350. In addition, where any unlisted company acquires a listed company, the criteria for original listing may be applicable as specified in Rule 26341.

26132. Listing Agreements

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In addition to meeting the foregoing criteria, companies applying for listing enter into agreements with the Exchange and become subject to its rules, regulations and policies applicable to listed companies.

Among other things, listed companies are required to:

- (a) **Timely Disclosure and Related Notices**—Comply with the Exchange’s timely disclosure policies and related notice requirements (Rules 26401-26404, 26920-26924);
- (b) **Dividends, Splits and Distributions**—Comply with the Exchange’s regulations governing these transactions (Rules 26304, 26501-26507);
- (c) **Accounting, Annual and Quarterly Reports**—Furnish security token holders with annual reports and release quarterly sales and earnings (Rules 26603-26624). (Companies not having common stock or equity security tokens listed on a national securities exchange are required to send annual and quarterly reports to security token holders.);
- (d) **Shareholders’ Meetings, Approval and Voting**—Hold annual shareholders’ meetings and submit certain proposed option plans and acquisitions to shareholders for approval (Rules 26701-26713); and
- (e) **Additional Information**—The Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a security token’s continued listing, including but not limited to, any material provided to or received from the SEC or other appropriate regulatory authority. A listed company may be delisted if it fails to provide such information within a reasonable period of time or if any communication (including communications made in connection with an initial listing application (See Rule 26211(e)) to the Exchange contains a material misrepresentation or omits material information necessary to make the communication to the Exchange not misleading.

26133. Delisting

Listed companies are subject to the Exchange’s delisting rules, policies, and procedures (Rules 27001-27011 and 27201-27211).

26134. Filing Requirements

The Exchange’s filing, notice and submission requirements to the Exchange are set forth in Rule 27101.

26135. Reserved**26136. Reserved****26137. Reserved****26138. BSTX Security Token Protocol**

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For a security token to be admitted to dealings on BSTX, such security token must follow the BSTX Security Token Protocol as distributed by the Exchange via Regulatory Circular.

26139. Issuer Conversion

The Exchange is aware that an issuer may have a current security traded as a non-security token. As such, if the issuer intends to transition the security to trading on BSTX as a security token, the Exchange will evaluate trading in the current security to determine whether it satisfies the BSTX Listing Standards. For example, when the Exchange examines the public distribution requirements that require a minimum level of publicly held security tokens, the Exchange will instead consider how many shares are currently traded in the issuer's non-security token issue.

26200 – Original Listing Procedures**26201. Confidential Pre-Application Review of Eligibility**

A company seeking to list its security tokens for trading on BSTX must participate in a confidential pre-application eligibility review by the Exchange in order to determine whether it meets the Exchange's listing criteria. Once a company has cleared such review, it may file an original listing application pursuant to Rule 26202 seeking Exchange listing approval of its security tokens.

Preliminary discussions with the Exchange on important matters in connection with the confidential pre-application eligibility review may be undertaken by company officials interested in listing with the assurance that careful security measures have been adopted by the Exchange to avoid revealing any confidential information which the company may disclose.

The information needed for the purpose of conducting a confidential pre-application eligibility review is set forth in Rule 26210 through Rule 26222.

26202. Original Listing Steps

There are normally seven steps in the original listing process following successful completion of the confidential pre-application eligibility review described in Rule 26201:

- (a) company files original listing application and supporting papers with Exchange;
- (b) company files Exchange Act registration statement and exhibits with SEC;
- (c) Exchange reserves ticker symbol;
- (d) Exchange approves listing;
- (e) Exchange allocates security token to a DMM (if applicable);
- (f) SEC Exchange Act registration statement becomes effective; and

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(g) security token is admitted to dealings.

26203. Reserved**26204. Ticker Symbol**

Applicants may request a particular trading symbol. Although every effort will be made to reserve the symbol requested, there is no assurance that it will be available. Request for a particular symbol should be made as early in the listing process as possible.

26205. Policy Regarding Allocation of security tokens to DMMs

A company may choose either to be assigned a DMM by the Exchange, or to select its own DMM. Alternatively, a company may elect, or the Exchange may determine, that in lieu of a DMM a minimum of two (2) market makers will be assigned to the security token.

26206 – 26209. Reserved**26210. Registration under the Exchange Act**

- (a) SEC Forms—A security token approved for listing by the Exchange must be registered under Section 12(b) of the Securities Exchange Act of 1934 before it may be admitted to trading on BSTX. Exchange Act registration is required even though the applicant may have previously registered all or part of the security tokens under the Securities Act. However, a security token which has already been registered under Section 12(g) of the Exchange Act, or has recently been the subject of a public offering registered under the Securities Act, may normally be registered under Section 12(b) of the Exchange Act for Exchange trading on SEC Form 8-A. In addition, security tokens of an issuer which has another class or series of securities registered on another national securities exchange may also use SEC Form 8-A. If an applicant does not have a class of securities registered under Exchange Act Section 12(g) or another class of securities registered on a national securities exchange, SEC Form 10 may be required.
- (b) Effective Date—Registration under Section 12(b) of the Exchange Act cannot become effective until after the issue has been approved for listing by the Exchange. Upon such approval, the Exchange is required to certify to the SEC that it has received its copy of the registration statement and has approved the particular security tokens for listing and registration. Registration of a class of security tokens on Form 8-A becomes effective automatically upon the later of the filing of the Form 8-A with the SEC, the SEC's receipt of certification from the Exchange, or (if the class of security tokens is concurrently being registered under the Securities Act) the effectiveness of the related Securities Act registration statement. Registration other than on Form 8-A becomes effective automatically 30 days after receipt by the SEC of the Exchange's certification, but may become effective within a shorter period, by order of the SEC, on request for acceleration of the effective date made by the company to the SEC.
- (c) Copies—One manually signed copy of the Exchange Act registration statement, including exhibits, must be filed with the listing application.

26211. Original Listing Application – General

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- (a) Form—A typewritten listing application (signed by an executive officer of the applicant), together with all appropriate attachments, as outlined below, and one copy only of each of the required exhibits, should be filed with the Exchange for examination. If any deficiencies are noted, or any changes are considered necessary in the form or contents of the application and exhibits, the applicant will be notified.
- (b) Incorporation by Reference—A copy of the following documents should be attached to each original listing application submitted and the information contained therein may be incorporated by reference (see Rule 26212):
- (1) latest Form 10-K Annual Report, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) for periods subsequent to the latest Form 10-K (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), and latest proxy statement for annual meeting of shareholders; or
 - (2) a prospectus declared effective by the SEC which contains the latest audited financial statements of the applicant, Form 10-Q Quarterly Report(s) and Form 8-K Current Report(s) (or comparable periodic reports filed with the appropriate regulatory agency of the applicant pursuant to the Securities Exchange Act of 1934), for periods subsequent to the effective date of the prospectus, and latest available proxy statement for meeting of shareholders. In the event a Form 10-Q Quarterly Report (or comparable periodic report) for a quarter ended more than 45 days before the date of the listing application is not required to be filed with the SEC (or other appropriate regulatory agency), financial information comparable to that which would have been included in the Form 10-Q Quarterly Report shall be filed with the Exchange as part of the listing application; and
 - (3) latest annual report distributed to shareholders; and
 - (4) such other information, documents or materials as may be deemed appropriate by the Exchange for inclusion in the applicant’s listing application.
- (c) Listing Fee—A check should accompany the submission. (See the Exchange’s fee schedule for computation of amount.)
- (d) Accounting Review—A company’s financial statements may be submitted to the Exchange’s consulting accountants for review as to compliance with Exchange requirements and generally accepted accounting principles (“GAAP”).
- (e) The Exchange may request any additional information or documentation, public or non-public, deemed necessary to make a determination regarding a security token’s initial listing eligibility, including, but not limited to, any material provided to or received from the SEC or other appropriate regulatory authority. An issuer may be denied initial listing if it fails to provide such information within a reasonable period of time or if any communication to the Exchange contains a material misrepresentation or omits material information necessary to make a communication to the Exchange not misleading.

26212. Content of Original Listing Application—Security Tokens

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Each company must submit an application for original listing, in the form prescribed by the Exchange, together with supporting exhibits specified in Rule 26306 (See sample application in BSTX Listing Supplement).

26213. Exhibits to Be Filed with Original Listing Application—Security Tokens

In support of the original listing application, a company must file one copy of the Listing Agreement, executed by an executive officer of the applicant, on a listing form supplied by the Exchange. In addition, the Exchange may request copies of such other documents as are necessary to complete its review of an issuer's eligibility for listing.

26214. Oil and Gas and Mining Companies—Additional Papers to Be Filed

Oil and Gas Companies—In addition to the exhibits required of all applicants, companies which have an interest in oil and gas properties as a material part of their business must submit the following:

Engineer's Reserve Report. Report of recent date, of qualified engineer, including estimate of proven reserves. The report shall be accompanied by a signed statement of the engineer's qualifications. The Exchange recommends and may, in fact, require the submission of the report of a qualified independent engineer not in the regular employ of the company.

Mining Companies—In addition to the exhibits required of all applicants, companies which own or operate mines as a material part of their business must submit the following:

Table of Lands. A tabular list of mineral and other lands (separate lists for producing and non-producing properties), each property designated by number or claim name. If any property is held under lease, specify terms. Submit separate lists for properties held directly and those held through subsidiaries.

Engineer's Mining and Reserve Report. Report, of recent date, of qualified engineer. The report shall be accompanied by a signed statement of the engineer's qualifications. (In certain cases, the Exchange may require the submission of the report of a qualified independent engineer not in the regular employ of the applicant.)

In the case of mines which are developing, the engineer's report must contain:

- (a) recommendations regarding the development program;
- (b) estimate as to amount of additional funds which will be required to complete the development program as outlined; and
- (c) estimate of length of time required to complete such development program.

26215. Reserved

EXHIBIT 5A**26216. Reserved****26217. Content of Original Listing Application – Security Token Warrants**

Generally, an original listing application for a security token warrant issue will follow the format for all other security tokens, as set forth in Rules 26211-26212.

26218 - 26229. Reserved**26230. Security Token Architecture Audit**

Prior to approving a security token for trading on BSTX, the Exchange will conduct an audit of the security token's architecture to ensure compliance with the BSTX Protocol as outline in Rule 26138. An applicant that is denied pursuant to this section may appeal the decision via the process outlined in the Rule 27200 Series.

26300 – Additional Listings**26301. Agreement to List Additional Security Tokens**

A listed company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register, additional security tokens of a listed class until it has filed an application for the listing of such additional security tokens and received notification from the Exchange that the security tokens have been approved for listing.

The Exchange's approval is contingent upon the security tokens being issued for the purpose, and under the terms and conditions, authorized by the company's Board of Directors and as specified in the listing application. If, after approval of listing by the Exchange, the company desires to make a change in the specified purpose of the issuance, or in the specified terms and conditions of the issuance, the Exchange may require an amendment to the prior application or cancel the previous listing approval and require a further listing application.

Registration of listed security tokens with the SEC or removal of transfer restrictions do not constitute changes pursuant to this rule and therefore would not require an amended application.

26302. Purpose of Agreement

The Exchange regards the agreement to list additional security tokens as an essential safeguard for shareholders of listed companies.

An additional listing application supplies the Exchange pertinent information concerning the purpose for which the security tokens are being issued, and updates information concerning the applicant.

The Exchange also reviews each additional application to determine if shareholder approval will be required as a condition to approval (see Rules 26711-26713). It is important to note that treasury security tokens may not be reissued, without first obtaining shareholders approval, for

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any purpose where the rules or policies of the Exchange would require such approval had the security tokens to be issued been previously authorized but unissued.

26303. Steps in the Additional Listing Process

There are normally four steps in the additional listing process. They are:

- (a) company decides to issue additional amounts of a listed security token for any purpose whatsoever;
- (b) company submits an additional listing application, in the form prescribed by the Exchange, signed by an officer of the issuer, one to two weeks in advance of the date on which Exchange approval is necessary, together with supporting exhibits specified in Rule 26306 (See sample application in the BSTX Supplemental Listing Materials);
- (c) the Exchange reviews and, if necessary, comments on the additional listing application; and
- (d) the Exchange approves the application.

26304. Listing of Security Tokens Pursuant to a Dividend or Forward Split

Security tokens to be issued in a forward split or dividend must be listed prior to the distribution date of such action. A company must complete the Reconciliation Sheet provided in the Exchange's form of application, as of the record date of the scheduled distribution.

26305. Listing of Security Tokens Pursuant to a Reverse Split/Substitution Listing

A substitution listing application is necessary whenever a company engages in a reverse split, re-incorporates, proposes to list a new class of security tokens in substitution for a previously listed class of security tokens or otherwise engages in a transaction which would require it to file a new Form 8-A with the SEC in regard to a previously listed security.

26306. Exhibits to Be Filed with Additional Listing Applications

The following is a list of exhibits to be filed with additional listing applications.

(1) Contract. A copy of each executed contract, plan or agreement pursuant to which the additional security tokens applied for are to be issued.

(2) Financial Statements of Acquired Company. If the security tokens to be listed are to be issued in connection with the acquisition of a controlling interest in, or of substantially all of the assets subject to the liabilities of, another company, the most recent audited financial statements, supplemented by the latest interim statements. In cases where independently audited financial statements are not available, a manually signed statement certified by the chief accounting officer of such other company must be submitted.

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(3) Engineering Report. If the security tokens applied for are to be issued in acquisition of a stock interest in another company, or properties or other assets, furnish one copy of any engineering, geological or appraisal report which may have been obtained in connection with the proposed acquisition.

(4) Listing Agreement. A company must execute a new listing agreement in support of every substitution listing except in the case of a reverse split.

26306 – 26330 Reserved**26331. Time Schedule**

The Exchange considers additional listing applications as promptly as practicable after receipt (normally within 5 to 10 business days). The listing application must be approved by the Exchange prior to issuance of the additional amount, or the effective date of the change or modification, of the previously listed security token. Accordingly, applications should be filed at least one to two weeks in advance of the date by which the applicant wishes action taken. In the case of a proposed charter amendment under which a previously listed security token is to be changed into a new security token (“substitution listing”), the time schedule should be so arranged that the substitution of the new security token for the old security token may be effected without any interruption in trading.

When it is essential that the security tokens be fully qualified for admission to trading by a certain date, the Exchange should be consulted at the earliest possible moment in order that a satisfactory time schedule may be arranged. This is particularly important in the case of rights or exchange offerings.

26332. Fees for Listing Additional Security Tokens

Upon receipt of the listing application in relation to any application for the listing of additional security tokens, the Exchange will send the listed company an invoice for the applicable listing fees (see the Exchange’s fee schedule for computation of amount). The listed company is required to promptly submit the applicable fee in the manner specified by the Exchange’s invoice.

26333. Registration with the Securities and Exchange Commission

- (a) Securities Act of 1933—If required under the Securities Act, registration must be effective prior to the admission of the security token to dealings on the Exchange. If such registration covers additional security tokens or amounts of a previously listed security token, the listing application should be filed with the Exchange while the Securities Act registration is pending, so that the additional amount may be authorized for listing in advance of, and subject to, the effectiveness of such registration.
- (b) Securities Exchange Act of 1934—No application for registration under the Exchange Act on Form 8-A, or otherwise, is required to be filed with the SEC for additional security tokens or amounts of a previously listed and registered security. If the

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application covers a substitution listing, a registration statement (usually on Form 8-B) must be filed with the SEC and the Exchange.

26334 – 26339. Reserved**26340. Subscription Rights**

A listed company must promptly disclose any action taken by it with respect to the allotment of rights to subscribe or rights or benefits pertaining to the ownership of its security tokens. It is further required to give prompt notice of any such action to the Exchange to afford the holders of such security tokens a proper period within which to record their interests and exercise their rights. These requirements are further explained in paragraphs (a) through (h) below.

The Exchange will not admit subscription rights to dealings unless the underlying security token is or will be listed on BSTX. The Exchange may also consider the listing of subscription rights of a company if the security underlying the subscription rights is a Covered Security and in good standing on their primary market.

- (a) Steps—Following is the sequence of steps to be taken in connection with the admission of subscription rights to dealings:
- (1) submit timetable including:
 - i. date of filing with SEC of registration statement under Securities Act;
 - ii. date on which listing application will be filed with the Exchange;
 - iii. effective date of registration statement or offering circular;
 - iv. record date of security token holders entitled to receive subscription rights;
 - v. mailing date of subscription rights to security token holders, and name of bank which will mail rights; and
 - vi. expiration date of subscription offering, and name of bank which will act as subscription agent.
 - (2) send two copies of preliminary prospectus or offering circular, and printer's proof copy of subscription rights to the Exchange;
 - (3) submit listing application covering listing of additional security tokens issuable upon exercise of subscription rights;
 - (4) notify Exchange as soon as Securities Act registration statement becomes effective.
- (b) Establishment of Record, Mailing, and Expiration Dates—The record date should be no earlier than one day prior to the time the registration statement or offering circular becomes effective.

The mailing of the subscription rights to security token holders should occur as soon after the record date as possible. Most companies have their transfer agents mail the rights on

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the same date as the record date or, at the latest, on the business day following the record date.

The subscription period should be for at least 14 calendar days following the mailing date. (See Rules 26511-26522 for further explanation of “ex-rights” rule.)

- (c) Form of Subscription Rights and Issuance of security tokens—The subscription rights should specify the number of rights represented by the warrant certificate rather than the number of security tokens to which the holder is entitled to subscribe. This eliminates the use of two separate types of warrants—one for full security tokens and the other for fractional security tokens.

Provision should be made for the issuance of certificates for security tokens subscribed for promptly upon exercise of the subscription privilege, and the subscription rights should contain a statement to that effect. Where, in addition to the usual subscription privilege, there is available an over-subscription privilege (subject to allotment) the issuance of the additional security tokens against exercise of the over-subscription privilege can be made promptly after the expiration date of the offering.

- (d) Dividend Declaration—No dividend should be declared having a record date during the subscription period. Otherwise, complications will develop in dealings in the rights. The record date for any dividend which otherwise would be a date during the subscription period should be either (i) the same date as the date of record of shareholders entitled to receive the subscription rights or a date prior to such subscription offering record date, or (ii) a date no earlier than the tenth day following the expiration date of the subscription offering. The record date specified in (i) would be established if the company does not wish to pay the current dividend on the security tokens offered for subscription. The record date specified in (ii) would be established if the company wishes to pay the dividend on the security tokens offered for subscription as well as on the security tokens previously outstanding.
- (e) Dealings in Rights—No application is required to be filed with the Exchange for the listing of subscription rights or with the SEC for their registration under the Exchange Act. Under SEC Rule 12a-4, subscription rights are exempt from registration under the Exchange Act.

Transferable rights may be admitted to dealings on the Exchange as soon as notice is received that the company’s Securities Act registration statement or offering circular has become effective. The normal procedure is to admit the rights to dealings at 10:00 a.m. on the day following the day the registration statement or offering circular has become effective. Accordingly, the company should arrange to have the registration statement or offering circular declared effective as of 4:00 p.m. on the date preceding the anticipated trading date. The company or its attorneys should notify the Exchange by telephone as soon as they learn of SEC clearance.

Trading in rights on the Exchange will cease at the close of business on the business day

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preceding the expiration date thereof. This facilitates open contracts to be settled and rights to be exercised on the final day.

- (f) **Ex-Rights Date**—As specified at Rule 26513(a), in general, security tokens are quoted “ex-rights” the day following the date on which the rights are admitted to dealings. This arrangement allows one full day’s trading to take place in the rights to establish their market value for “ex-rights” purposes. Purchasers of the security token beginning the fourth business day preceding the record date for and to and including the day before the “ex-rights” date for the security token have been paying prices for their security token which include the value of the rights. Since it may not be possible for such purchasers to become holders of record on the books of the company by the record date for the offering, the Exchange rules that the purchasers in such transactions (having paid a “rights on” price for their security token, i.e., a price including the value of the rights) are entitled to the rights and are, therefore, entitled to receive a due bill for the rights from the sellers of the security token. Such due bills are redeemed by the sellers when they receive their rights from the company. This arrangement is between the brokers for the purchasers and the sellers of the security tokens, and does not involve the company. For a further explanation, see the Rule 26500 Series.
- (g) **Application for Listing Additional security tokens Issuable Against Exercise of Subscription Rights**—A company is required to file with the Exchange an application for the listing of the additional security tokens issuable upon exercise of the rights. The Securities Act prospectus or offering circular relating to the subscription offering may be incorporated by reference. The listing application (see Rule 26303) should be filed with the Exchange as soon as possible after the company has filed its registration statement or offering circular with the SEC. The Exchange must have time to act on the application sufficiently prior to the date of the offering, so that appropriate listing authority will be in effect with respect to the security tokens issuable when and as subscription rights are exercised.
- (h) **Oversubscription Privilege**—Where a subscription offering to security tokens contains an oversubscription privilege, the number of security tokens allocated to security token holders upon exercise of the oversubscription privilege should be in proportion to the number of security tokens subscribed for by each security token holder on the original subscription offering, and should not be based on the number requested under the oversubscription privilege.

26341. Acquisition of a Listed Issuer by an Unlisted Entity

If a listed issuer engages in a Reverse Merger (as defined below), it will be eligible for continued listing on BSTX only if the post-transaction entity meets the standards for initial listing. The Exchange will refuse to list additional security tokens of a listed issuer in connection with a Reverse Merger unless the post-transaction entity meets the standards for initial listing and the listed issuer obtains shareholder approval of the issuance of such security tokens as required by Rule 26713(b). The applicable fees for additional listings and Reverse Mergers can be found in the Exchange’s fee schedule.

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The Exchange should be consulted whenever a listed issuer is contemplating a transaction or series of transactions that could constitute a Reverse Merger. If the Exchange determines that a transaction or series of transactions constitute a Reverse Merger, the listed issuer must submit an initial listing application for the post-transaction entity with sufficient time to allow the Exchange to complete its review before the effective date of the Reverse Merger. If the initial listing application has not been approved prior to the effective date of the Reverse Merger, the Exchange will issue an Exchange Determination Letter as set forth in Rule 27202 and begin delisting proceedings pursuant to the Rule 27200 Series.

IM-26341-1

For the purposes of this provision, a “Reverse Merger” is a transaction or series of transactions whereby a listed issuer combines with, or into, an entity not listed on BSTX, resulting in a change of control of the listed issuer and potentially allowing such unlisted entity to obtain a BSTX listing. In determining whether a change of control constitutes a Reverse Merger, the Exchange will consider all relevant factors, including, but not limited to, changes in the management, board of directors, voting power, ownership, and financial structure of the listed issuer. The Exchange will also consider the nature of the businesses and the relative size of both the listed issuer and the unlisted entity.

26342. Paired Security Tokens

Companies whose security tokens are “paired” may file a single additional listing application covering the security tokens to be issued by both companies. (See the Exchange fee schedule for computation of the fee.)

26343 – 26349. Reserved**26350. Cancellation Notice**

A company which has received authority to list security tokens, upon official notice of issuance, for a particular purpose, and which no longer intends to issue all or a portion of such security tokens for that purpose, should cancel the listing authority by notifying the Exchange by letter (see sample letter in the BSTX Listing Supplement). The letter should specify the amount of security tokens to be cancelled and the reason for such request. An example of such cancellation letter can be found in the BSTX Listing Supplement on the Exchange’s website.

26400 – Disclosure Policies**26401. Outline of Exchange Disclosure Policies**

The Exchange considers that the conduct of a fair and orderly market requires every listed company to make available to the public information necessary for informed investing and to take reasonable steps to ensure that all who invest in its security tokens enjoy equal access to such information. In applying this fundamental principle, the Exchange has adopted the following eight specific policies concerning disclosure, each of which is more fully discussed (in a Question and Answer format) in the BSTX Supplemental Listing Information:

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- (a) **Immediate Public Disclosure of Material Information**—A listed company is required to make immediate public disclosure of all material information concerning its affairs, except in unusual circumstances (referred to as the Exchange’s “immediate release policy”). When such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time, it is essential that the Exchange be notified at least ten minutes prior to the announcement.
- (b) **Thorough Public Dissemination**—A listed company is required to release material information to the public by means of any Regulation FD compliant method (or combination of methods).
- (c) **Clarification or Confirmation of Rumors and Reports**—Whenever a listed company becomes aware of a rumor or report, true or false, that contains information that is likely to have, or has had, an effect on the trading in its security tokens, or would be likely to have a bearing on investment decisions, the company is required to publicly clarify the rumor or report as promptly as possible.
- (d) **Response to Unusual Market Action**—Whenever unusual market action takes place in a listed company’s security tokens, the company is expected to make inquiry to determine whether rumors or other conditions requiring corrective action exist, and, if so, to take whatever action is appropriate. If, after this review, the unusual market action remains unexplained, it may be appropriate for the company to issue a “no news” release—i.e., announce that there has been no material development in its business and affairs not previously disclosed or, to its knowledge, any other reason to account for the unusual market action.
- (e) **Unwarranted Promotional Disclosure**—A listed company should refrain from promotional disclosure activity which exceeds that necessary to enable the public to make informed investment decisions. Such activity includes inappropriately worded news releases, public announcements not justified by actual developments in a company’s affairs, exaggerated reports or predictions, flamboyant wording and other forms of overstated or over-zealous disclosure activity which may mislead investors and cause unwarranted price movements and activity in a company’s security tokens.
- (f) **Insider Trading**—Insiders should not trade on the basis of material information which is not known to the investing public. Moreover, insiders should refrain from trading, even after material information has been released to the press and other media, for a period sufficient to permit thorough public dissemination and evaluation of the information.
- (g) **Receipt of Written Delisting Notice**—A company is required to publicly disclose that it has received a written notice indicating that the Exchange has determined to remove the company’s security tokens from listing as a result of non-compliance with the continued listing requirements. (See Rule 27009)
- (h) **Receipt of Audit Opinion with Going Concern Qualification** - A company is required to publicly disclose that it has received an audit opinion that contains a going concern qualification. (See Rule 26610(b))
- (i) **Reserved**

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- (j) Receipt of Written Notice of Noncompliance with a Continued Listing Requirement—A company is required to publicly disclose that it has received a written notice indicating that the Exchange has determined that the company is noncompliant and/or has failed to satisfy one or more continued listing requirements. (See IM-26401-02 to Rule 26401 and Rule 27009).

IM-26401-1

Listed companies must comply with the notification procedures in Rule 26401(a) and (b) with respect to all announcements relating to a dividend, stock distribution, or security token distribution when such disclosure is to be made between 7:00 A.M. and 4:00 P.M., Eastern Time. (Listed companies must also comply with the notification requirements of Section 501 with respect to all such announcements, including outside of the hours of operation of the immediate release policy.)

IM-26401-2

A written notice of noncompliance with a continued listing requirement may be in the form of either a Warning Letter (as defined in Rule 27009(a)(i)) or Deficiency Letter (as defined in Rule 21009(b)).

IM-26401-3

When the Exchange believes it is necessary to request from an issuer information relating to:

- (i) material news;
- (ii) the issuer's compliance with Exchange continued listing requirements; or
- (iii) any other information which is necessary to protect investors and the public interest

The Exchange may halt trading in a listed security token until it has received and evaluated such information.

The Exchange may halt trading in security tokens listed on the Exchange, when the Exchange-listed security token is listed on or registered with another national securities exchange, and the national securities exchange, or regulatory authority overseeing such exchange, halts trading in such security token for regulatory reasons. The Exchange may halt trading in a security token when the issuer's Primary Equity Security is halted.

IM-26401-4

The Exchange asks companies that intend to issue material news after the closing of trading on BSTX to delay doing so until the earlier of publication of such company's official closing price on BSTX or fifteen minutes after the close of trading on BSTX in order to facilitate an orderly

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closing process to trading on BSTX. Trading on BSTX typically closes at 4:00 P.M. Eastern Time, except for certain days on which trading closes early at 1:00 P.M. Eastern Time.

26402. Reserved**26403. Content and Preparation of Public Announcements**

- (a) Exchange Requirements—The content of a press release or other public announcement is as important as its timing. Each announcement should:
- (1) be factual, clear and succinct;
 - (2) contain sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the company;
 - (3) be balanced and fair, i.e., the announcement should avoid the following:
 - i. The omission of important unfavorable facts, or the slighting of such facts (e.g., by “burying” them at the end of a press release).
 - ii. The presentation of favorable possibilities as certain, or as more probable than is actually the case.
 - iii. The presentation of projections without sufficient qualification or without sufficient factual basis.
 - iv. Negative statements phrased so as to create a positive implication, e.g., “The company cannot now predict whether the development will have a materially favorable effect on its earnings” (creating the implication that the effect will be favorable even if not materially favorable), or “The company expects that the development will not have a materially favorable effect on earnings in the immediate future” (creating the implication that the development will eventually have a materially favorable effect).
 - v. The use of promotional jargon calculated to excite rather than to inform.
 - (4) avoid over-technical language, and should be expressed to the extent possible in language comprehensible to the layman;
 - (5) explain, if the consequences or effects of the information on the company’s future prospects cannot be assessed, why this is so; and
 - (6) clarify and point out any reasonable alternatives where the public announcement undertakes to interpret information disclosed.
- (b) Securities Laws Requirements—The requirements of the Federal securities laws must also be carefully considered in the preparation of public announcements. In particular, these laws may impose special restrictions on the extent of permissible disclosure before or during a public offering of securities, including security tokens, or a solicitation of proxies. Generally, in such circumstances, while the restrictions of the securities laws may affect the character of disclosure, they do not prohibit the timely disclosure of material factual information. Thus, it is normally possible to effect the disclosure required by Exchange policy.

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- (c) Preparation of Announcements—The following guidelines for the preparation of press releases and other public announcements should help companies to ensure that the content of such announcements will meet the requirements discussed above:
- (1) Every announcement should be either prepared or reviewed by a company official having familiarity with the matters about which disclosure is to be made and a company official familiar with the requirements of the Exchange, as well as any applicable requirements of the securities laws.
 - (2) Since skill and experience are important to the preparation and editing of accurate, fair and balanced public announcements, the Exchange recommends that a limited group of individuals within the company be given this assignment on a continuing basis. (Since a press announcement usually must be prepared and released as quickly as possible, however, the group charged with this assignment should be large enough to handle problems that arise suddenly and unexpectedly.) The Exchange can assist in assessing whether the release satisfies the Exchange's disclosure requirements.
 - (3) Review of press releases and other public announcements by legal counsel is often desirable and necessary, depending on the importance and complexity of the announcement.

26404. Exchange Surveillance Procedures

In many cases, when unusual market activity occurs, the Exchange is able to trace the reason for the activity to a specific cause, such as recently disclosed information, recommendations by advisory services, or rumors. In certain instances, the Exchange may also contact brokerage firms if such firms or their customers are parties to unusual activity to inquire as to the source and reasons for such activity. (This latter information, it should be noted, must remain confidential to the Exchange.) If no explanation of the unusual activity is revealed, the Exchange may call officials of the company to determine whether the cause of the activity is known to them. If the activity appears to be attributable to a rumor or report, or to material information that has not been publicly disseminated, the company is requested to take appropriate corrective action, and it may be advisable to halt trading until such action has been taken.

26405. Notifications to Exchange

Prompt notice from the listed company to the Exchange is required in connection with certain actions or events. If a provision of the BSTX Listing Standards require a company to give notice to the Exchange pursuant to this Rule 26405, the company shall provide such notice via an email address specified by the Exchange on its website (and the Exchange shall promptly update and prominently display the applicable information on its website in the event that it ever changes), except in emergency situations, when notification may instead be provided by telephone and confirmed by facsimile as specified by the Exchange on its website. For purposes of this Rule 26405, an emergency situation includes lack of computer or internet access; or a technical problem on the systems of either the listed company or the Exchange. If a material event or a statement dealing with a rumor which calls for immediate release is made shortly before the opening or during market hours, notice is required to be given through the Exchange's telephone

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alert procedures. (See Rule 26401) If a rule containing a notification requirement does not specify that such requirement must be met by complying with the notification procedures set forth in this Rule 26405, the company may use the methods provided by this Rule 26405 or any other reasonable method. Listed companies are encouraged to contact the Exchange if they have any questions about the appropriate method of providing notification under applicable Exchange rules.

26500 – Dividends and Splits**26501. Notice of Dividend**

Prompt notice must be given to the Exchange as to any dividend action or action relating to a security token distribution in respect of a listed security token (including the omission or postponement of a dividend action at the customary time as well as the declaration of a dividend). Such notice is in addition to immediate publicity and should be given at least ten days in advance of the record date. The dividend notice should be given to the Exchange in accordance with Rule 26405 Notice should be given as soon as possible after declaration. Notice must be given to the Exchange no later than 10 minutes before the announcement to the news media (including when the notice is to be issued outside of Exchange trading hours).

26502. Record Date

A company is not permitted to close its stock transfer books for any reason, including the declaration of a dividend. Rather, it must establish a record date for security token holders entitled to a dividend which is at least ten days after the date on which the dividend is declared (declaration date).

A company is also required to give the Exchange at least ten days' notice in advance of a record date established for any other purpose, including meetings of shareholders.

26503. Form of Notice

Immediately after the board of directors has declared a cash, security token or stock dividend, the company should comply with: (a) the notification requirements set forth in Rules 26405 and 26501 and (b) the immediate release policy pursuant to Rules 26401(a) and (b). The announcement and notice should specify the name of the company, date of declaration, amount (per security token) of the dividend, and the record and payment dates.

In the case of stock or security token dividends, the notice to the Exchange should also state whether cash is to be paid or order forms are to be issued in settlement of fractional interests resulting from the dividend. If cash is to be paid (which the Exchange prefers—see Rule 26507), state the basis for determining the amount (for example, based on the “last sale” on the record date).

The dividend notice should also state the “cut-off” date (usually five to seven days after the record date) until which the transfer agent will accept instructions from brokers as to their

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requirements for full shares, security tokens, or cash with respect to security tokens registered in their names, as nominees, and as to which they must make exact allocations among their clients.

26504. Non-Payment of Dividends

If a company has been paying regular dividends and its board of directors determines to cease or postpone such payments, this fact should be announced at least twice: first, immediately at the time the board decides to cease or postpone payment, and second, on the next monthly, quarterly, or other periodic date of declaration (assuming it is again decided to omit or postpone payment). Such announcement should be provided to the Exchange pursuant to Rules 26405 and 26501 above and issued to the public pursuant to the immediate release policy set forth in Rules 26401 above. The notice and announcement should be in the form specified in Rule 26503 above.

26505. Security Token Dividends or Forward Splits of Lower Priced Issues

The Exchange does not view favorably a security token dividend or forward split of a security token selling in a low price range or a substantial security token dividend or forward split which may result in an abnormally low price range for security tokens after the split or security token dividend. Any company considering a forward split (or a security token dividend of more than 5%) which would result in an adjusted price of less than \$3 per security token should consult with the Exchange in advance of taking formal action. (See also Rule 26970 for information regarding reverse splits.)

26506. Reserved**26507. Cash in Lieu of Fractional Security Tokens**

Because the Exchange does not permit fractional interests in security tokens, any distribution that might otherwise result in fractional interests in security tokens must be paid in cash.

26508. Reserved**26509. Dividend or Split-Up Listing Application**

Refer to Rule 26304

26510. Reserved**26511. Definition of “ex-dividend” and “ex-rights”**

The term “ex-dividend” means “without the dividend” and the term “ex-rights” means “without the rights”. The effect of quoting a security token “ex-dividend” or “ex-rights” is that quotations for, and transactions in, the security token on and after the “ex-dividend” or “ex-rights” date reflect the fact that the buyer is not entitled to the dividend or rights.

NOTE: Transactions in security tokens are not ex-dividend or ex-rights until an announcement to that effect is made by the Exchange.

26512. Ex-dividend Procedure

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Transactions in security tokens (except those made for “cash”) are ex-dividend on the business day preceding the record date. If the record date selected is not a business day, the security token will be quoted ex-dividend on the second preceding business day. “Cash” transactions are ex-dividend on the business day following the record date.

26513. Ex-Rights Procedure

In the establishment and announcement of ex-rights dates, the Exchange proceeds as follows:

(a) Subscription Price Not Known—Where the subscription price and all other terms of the rights and subscription offering are not known sufficiently in advance of the record date to determine the value of the rights, the Exchange will rule the security tokens ex-rights on the day following the date the rights commence trading (which, in most instances, is a date subsequent to the record date for the subscription offering).

Under such circumstances, the Exchange requires that all deliveries of security tokens made after the record date in settlement of transactions made prior to the ex-rights date, and on a “rights on” basis carry “due bills” for the rights.*

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A “DUE BILL” is an instrument used by Participants, when, for any reason, it becomes necessary to postpone an “ex-dividend” or “ex-rights” date. The due bill has the effect of transferring the right to receive a dividend, distribution or subscription right from the security token holder on the record date to the purchaser of the security token who, at the time of the transaction, paid a “dividend on” or “rights on” price.

26514. Special Rulings

As more fully explained in Rule 26521, the Exchange may, in any particular case (such as where conditional, large or valuable dividends are declared, or where the Exchange does not receive timely notice of dividend declarations or offerings of subscription rights), direct that transactions shall be ex-dividend or ex-rights on a day other than that fixed by Exchange rules and may prescribe the procedure to be followed in connection therewith. In such instances, on transactions made prior to the ex-dividend or ex-rights date, the Exchange, by special ruling, will require that deliveries too late to effect transfer in the normal course by the record date, shall be accompanied by due bills for the dividend or rights.

26515. Return of Dividend

Participants, receiving deliveries in advance of the record date against ex-dividend or ex-rights transactions, who are able to effect transfer of the purchased security token by the record date, will be responsible to return the dividend or rights to the Participant from whom delivery was received.

26516. Reserved**26517. Optional Dividends**

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When a dividend is payable at the option of the security token holder, in either cash or securities, the security tokens will be ex-dividend the value of the cash or securities, whichever is greater.

26518. Canadian Currency

When a dividend is payable in Canadian currency, the stock will be “ex” the amount of the dividend in U.S. currency, at the rate of exchange prevailing on the ex-dividend date. Orders will not be reduced to an ex-dividend basis by the amount of any tax on the dividend deductible at the source.

26521. Special Ex-dividend Rulings

- (a) Late Notices—If, as required by Exchange rules, the Exchange does not receive a notice of a dividend declaration sufficiently in advance of a record date to permit a security token to be quoted “ex-dividend” in the usual manner, the Exchange quotes the security token “ex-dividend” as soon as possible following receipt of notice of the dividend. The Exchange also rules that the “dividend on” purchaser (in transactions made during the interval between the date when the security token should have been quoted “ex” and the date when the security token is actually quoted “ex”) is entitled to receive the dividend from the seller. The seller in such transactions is required to give to the purchaser a due bill, covering the amount of the dividend, to be redeemed subsequent to the payment date for the dividend.

The use of due bills causes vexing problems between Participants and their customers because it is often difficult to explain to the selling customer why he should give up a dividend paid to him by the company. Therefore, the Exchange requires listed companies to furnish to the Exchange timely notification of dividend declarations (i) as many days as possible in advance of the record date and, in any event, (ii) no less than ten (10) days in advance of the record date.

- (b) Large or Valuable Dividends, Dividends “Not In Kind”, and Split-ups Effected as Distributions—When large or valuable cash, stock or security token dividends (usually 20% or more), or a dividend “not in kind” (i.e., a distribution of securities of another issuer), or a split-up is declared, it is the policy of the Exchange to postpone the “ex-dividend” or “ex-distribution” date until the dividend has been paid. The reason for this is so that the security token is not quoted at the substantially lower “ex-dividend” or “ex-distribution” price until the distribution is received by security token holders. If this were not the case, the collateral value of the security token would be reduced between the “ex” date and payment date, and the security token holder might be required to provide additional collateral.

In the case of dividends “not in kind” (regardless of its size in relation to the listed security token), it will be necessary to postpone the “ex-dividend” date in the event a market does not exist in the security to be distributed at the time the listed issue would normally be quoted “ex-dividend”.

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In all of the above instances, the postponement of the “ex” date until after the payment date makes it possible for security token holders to sell all of their holdings at one time, on a “dividend on” basis (prior to the “ex” date). As a result, purchasers of the security token prior to the “ex” date continue to pay a “dividend on” price, but will not receive the dividend payment from the company. Accordingly, the Exchange rules that the “dividend on” purchaser is entitled to receive the dividend from the seller. The seller, in turn, is required to give the purchaser a due bill, covering the amount of the dividend, to be redeemed on the date fixed by the Exchange.

- (c) “Cash” Transactions—The Ex-Dividend Rule of the Exchange specifies that “cash” transactions (in which delivery of the security must be made on the date of the transaction) shall be “ex-dividend” on the business day following the record date.

26600 – Accounting; Annual and Quarterly Reports**26601. Reserved****26602. Reserved****26603. Change in Accountants**

A listed company is required to notify the Exchange (prior to filing its 8-K) if it changes independent accountants; and must state the reason for such change.

26604. Defaults

A listed company must immediately notify the Exchange whenever there exists: (a) an event of default in any technical covenant of its outstanding loan agreements; (b) a default in interest or principal payments on outstanding indebtedness; (c) a default in cumulative dividend payments on an outstanding preferred stock issue; (d) a default in cumulative dividend payments on an outstanding preferred security tokens or (e) a failure to meet the sinking fund or redemption provisions of any outstanding debt or equity issues of the company.

26605. Peer Review

- (a) A listed company must be audited by an independent public accountant that:
- (1) has received an external quality control review by an independent public accountant (“peer review”) that determines whether the auditor’s system of quality control is in place and operating effectively and whether established policies and procedures and applicable auditing standards are being followed; or
 - (2) is enrolled in a peer review program and within 18 months receives a peer review that meets acceptable guidelines.
- (b) The following guidelines are acceptable for the purposes of Rule 26605:
- (1) the peer review should be comparable to AICPA standards included in Standards

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for Performing on Peer Reviews, codified in the AICPA's SEC Practice Section Reference Manual;

- (2) the peer review program should be subject to oversight by an independent body comparable to the organizational structure of the Public Oversight Board as codified in the AICPA's SEC Practice Section Reference Manual; and
- (3) the administering entity and the independent oversight body of the peer review program must, as part of their rules of procedure, require the retention of the peer review working papers for 90 days after acceptance of the peer review report and allow the Exchange access to those working papers.

26606-26609. Reserved**26610. Publication of Annual Report**

- (a) Any listed company that is required to file with the SEC an annual report that includes audited financial statements (including on Forms 10-K, 20-F, 40-F or N-CSR) is required to simultaneously make such annual report available to security token holders on or through the company's website.

A company must also post to its website a prominent undertaking in the English language to provide all holders (including preferred stockholders, preferred security token holders and bondholders) the ability, upon request, to receive a hard copy of the company's complete audited financial statements free of charge and simultaneously issue a press release stating that its annual report has been filed with the SEC. This press release must also specify the company's website address and indicate that shareholders have the ability to receive a hard copy of the company's complete audited financial statements free of charge upon request. The company must provide such hard copies within a reasonable period of time following the request. Moreover, the press release must be published pursuant to the Exchange's press release policy (see Rule 26401 above).

A listed company that:

- is subject to the U.S. proxy rules that provides its audited financial statements (as included on Forms 10-K, 20-F and 40-F) to beneficial shareholders in a manner that is consistent with the physical or electronic delivery requirements applicable to annual reports set forth in Rules 14a-3 and 14a-16 of the U.S. proxy rules, or
- is an issuer not subject to the U.S. proxy rules that provides its audited financial statements (as included on Forms 10-K, 20-F and 40-F) to beneficial shareholders in a manner that is consistent with the physical or electronic delivery requirements applicable to annual reports set forth in Rules 14a-3 and 14a-16 of the U.S. proxy rules,

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is not required to issue the press release or post the undertaking required above. A company that fails to file its annual report on Forms 10-K, 20-F, 40-F or N-CSR with the SEC in a timely manner is subject to the compliance procedures set forth in Rule 27007.

- (b) A listed company that receives an audit opinion that contains a going concern emphasis must make a public announcement through the news media disclosing the receipt of such opinion. Prior to the release of the public announcement, the listed company must provide such announcement to the Exchange in a manner consistent with the requirements for the provision of material news to the Exchange under Rule 26401 hereof. The public announcement shall be made contemporaneously with the filing of such audit opinion in a public filing with the Securities and Exchange Commission.

26611-26615. Reserved**26616. President's Letter**

Most annual reports contain a letter to shareholders from the President or other officer of the company. The Exchange expects that such letter, as well as all other releases and statements by the company, will be factual and that judgment and restraint will be used in not publicizing information which may be construed as over-optimistic, slanted or promotional. (See Rules 26401-26404 for a further discussion of the Exchange's disclosure requirements.)

26617-26622. Reserved**26623. Dissemination**

Interim statements (unaudited) are not required to be sent to security token holders by any company whose common stock or equity security tokens is listed on a national securities exchange. (However, many companies do send such statements.)

Companies whose common stock is not listed on a national securities exchange must send interim statements (unaudited) to holders of its security tokens which are listed on BSTX.

Interim statements of sales and earnings must be on the basis of the same degree of consolidation as the annual report. Such statements should disclose any substantial items of unusual or nonrecurrent nature and will show net income before and after federal income taxes.

As a matter of fairness, corporations which distribute interim reports to shareholders should distribute such reports to both registered and beneficial shareholders.

In all cases, such information (whether or not furnished to security token holders) must be disseminated in the form of a press release in a manner consistent with the Rule 26400 Series. A copy must also be sent to the Exchange. Further information on the handling of press releases is set forth in Rules 26401-26404.

26624. Exceptions

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Exception to the Exchange's requirement that quarterly results be distributed in the form of a press release is made only in cases where conditions peculiar to the type of company, or to the particular company itself, would make such a release impracticable or misleading, as in the case of companies dependent upon long-term contracts, or companies dependent upon the growth and sale of a crop in an annual cycle, or companies operating under conditions which make such releases virtually impossible or misleading.

When the Exchange is convinced that the release of quarterly results is impracticable, or could be misleading, it may require an agreement to release a semi-annual statement of sales and earnings, or an interim statement of certain operating statistics which will serve to indicate the trend of the company's business during the period between annual reports. Only when the Exchange is convinced that any type of interim release is either impracticable, or misleading, will an agreement calling merely for publication of annual statements be accepted.

NOTE: Any agreement between the Exchange and a listed company on the issuance of quarterly operating results does not alter the company's obligation to publish quarterly statements pursuant to SEC rules.

26700 – Shareholders' Meetings, Approval and Voting of Proxies**26701. Filing Material Distributed to Shareholders**

A listed company is required to file with the Exchange five copies of proxy statements, forms of proxy and other soliciting materials distributed to shareholders. A listed company is also required to file with the Exchange one copy of the notice of shareholders' meetings and three copies of annual reports distributed to shareholders. Copies of such material should be sent to the Exchange when distributed to shareholders, unless the material was otherwise filed electronically with the SEC (See Rule 27101).

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Proxy statements, forms of proxy and other soliciting materials shall be distributed by such means as are permitted or required by applicable law and regulation (including any interpretations thereof by the SEC). Companies should also note Rule 26722 applicable to Participants regarding transmission of proxy material to customers.

26702. Reserved**26703. Notice of Meetings**

A listed company is required to give shareholders written notice at least ten days in advance of all shareholders' meetings, and to provide for such notice in its by-laws.

In addition, the company must immediately notify the Exchange when it establishes a date for the taking of a record of its shareholders. Such notice must be given at least ten days in advance of the record date.

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NOTE: Exchange rules prohibit the closing of a listed company's transfer books, for any purpose.

The Exchange recommends that such notice and proxy-soliciting material be received by shareholders as many days as possible (preferably at least 20 days) in advance of the meeting. A similar arrangement should be followed in delivering such proxy material to member organizations in order to allow such organizations ample time to mail the material to, and receive voting instructions from, beneficial owners.

Companies should be aware that the Exchange's proxy rules provide that in the case of a routine meeting (see Rule 26723), if the proxy material is distributed by a Participant, as record holder, to the beneficial owners of the security tokens, at least 15 days before the meeting, and voting instructions from the beneficial owner are not received ten days prior to the meeting, the Participant may then vote the proxy in its discretion. Otherwise, the Participant must receive specific voting instructions from its customers.

If a company plans to request brokers to forward proxy-soliciting material to customers, it should communicate with the brokers at least ten days in advance of the voting record date for the meeting:

- (a) informing them of the record and meeting dates;
- (b) providing them with a return postcard on which they may indicate the number of sets of proxy material required for transmittal to customers; and
- (c) agreeing to reimburse them for out-of-pocket expenses incurred in handling the material.
The sets of proxy material distributed to Participants should include the required number of proxies and annual reports to assure compliance with the rules and regulations of the Exchange and the SEC.

26704. Annual Meetings

Each issuer listing equity security tokens or voting preferred security tokens, and/or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year.

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At each annual meeting, shareholders must be afforded the opportunity to discuss company affairs with management and, if required by the issuer's governing documents, to elect directors. A new listing that was not previously subject to a requirement to hold an annual meeting is required to hold its first annual meeting within one year after its first fiscal year-end following listing. In addition, an issuer is not required to hold an annual meeting:

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- With respect to any fiscal year less than 12 months long that results from a change in fiscal year end; or
- In the year in which it completes an initial public offering.

However, the Exchange's annual meeting requirement does not supplant any applicable state or federal securities laws concerning annual meetings.

26705. Meetings and Solicitations of Proxies Required

A listed company is required, with respect to any matter requiring authorization by its shareholders, to either (a) hold a meeting of its shareholders in accordance with its charter, by-laws and applicable state or other laws and to solicit proxies (pursuant to a proxy statement conforming to the proxy rules of the SEC) for such meeting of shareholders, or, (b) use written consents in lieu of a special meeting of shareholders as permitted by applicable law. The Exchange has no separate requirements with respect to the solicitation of such consents, but listed companies must comply with applicable state and federal laws and rules (including interpretations thereof), including without limitation, SEC Regulations 14A and 14C.

26706 - 26709. Reserved**26710. Vote Required**

- (a) With respect to votes cast on a proposal in person or by proxy, the minimum vote, under Rules 26711, 26712 and 26713, which will constitute shareholder approval for listing purposes, is defined as approval by a majority of votes cast. (See Rule 26123 regarding quorum requirements.) With respect to the use of written consents in lieu of a special shareholders meeting, the written consent to the proposal of holders of a majority of the security tokens entitled to vote will constitute shareholder approval for listing purpose under Rules 26711, 26712 and 26713.
- (b) An exception to the shareholder approval requirements contained in Rules 26711, 26712 and 26713 below may be made with respect to a specified issuance of security tokens upon prior written application to the Exchange when (1) the delay in securing shareholder approval would seriously jeopardize the financial viability of the enterprise, and (2) reliance by the company on this exception is expressly approved by the audit committee of the company's board of directors or a comparable body of the board of directors comprised solely of independent, disinterested directors. The company is not permitted to issue, or to authorize its transfer agent or registrar to issue or register the security tokens in question until it has received written notification from the Exchange that the exception to the shareholder approval requirements has been granted and the security tokens have been approved for listing pursuant to Rule 26301.

A company that receives such an exception must mail to all shareholders not later than ten days before issuance of the security tokens a letter alerting them to its omission to seek the shareholder approval that would otherwise be required. Such notification shall disclose the terms of the transaction (including the number of equity security tokens that

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could be issued and the consideration received), the fact that the company is relying on a financial viability exception to the shareholder approval rules, and that the audit committee or a comparable body of the board of directors comprised solely of independent, disinterested directors has expressly approved the company's reliance on the exception. The company shall also make a public announcement through the news media disclosing the same information as promptly as possible, but no later than ten days before the issuance of the security tokens.

26711. Shareholder Approval of security token Option and Equity Compensation Plans

Approval of shareholders is required in accordance with Rule 26705 with respect to the establishment of (or material amendment to) a security token option or purchase plan or other equity compensation arrangement pursuant to which options, or security tokens may be acquired by officers, directors, employees, or consultants, regardless of whether or not such authorization is required by law or by the company's charter, except for:

- (a) issuances to an individual, not previously an employee or director of the company, or following a bona fide period of non-employment, as an inducement material to entering into employment with the company provided that such issuances are approved by the company's independent compensation committee or a majority of the company's independent directors, and, promptly following an issuance of any employment inducement grant in reliance on this exception, the company discloses in a press release the material terms of the grant, including the recipient(s) of the grant and the number of security tokens involved; or
- (b) tax-qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the company's independent compensation committee or a majority of the company's independent directors; or plans that merely provide a convenient way to purchase security tokens in the open market or from the issuer at fair market value; or
- (c) a plan or arrangement relating to an acquisition or merger; or
- (d) warrants or rights issued generally to all security token holders of the company or security token purchase plans available on equal terms to all security token holders of the company (such as a typical dividend reinvestment plan).

A listed company is required to notify the Exchange in writing with respect to the use of any of the exceptions set forth in paragraphs (a) through (d).

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Rule 26711 requires shareholder approval when a plan or other equity compensation arrangement is established or materially amended. For these purposes, a material amendment would include, but not be limited to, the following:

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- (a) any material increase in the number of security tokens to be issued under the plan (other than to reflect a reorganization, security token split, merger, spinoff or similar transaction);
- (b) any material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in exercise price) of outstanding options, (ii) reduce the price at which security tokens, or options to purchase security tokens may be offered, or (iii) extend the duration of a plan;
- (c) any material expansion of the class of participants eligible to participate in the plan; and
- (d) any expansion in the types of options or awards provided under the plan.

While general authority to amend a plan would not obviate the need for shareholder approval, if a plan permits a specific action without further shareholder approval, then no such approval would generally be required. However, if a plan contains a formula for automatic increases in the security tokens available (sometimes called an “evergreen formula”), or for automatic grants pursuant to a dollar-based formula (such as annual grants based on a certain dollar value, or matching contributions based upon the amount of compensation the participant elects to defer), such plans cannot have a term in excess of ten years unless shareholder approval is obtained every ten years. Plans that do not contain a formula and do not impose a limit on the number of security tokens available for grant would require shareholder approval of each grant under the plan. A requirement that grants be made out of treasury security tokens or repurchased security tokens will not alleviate these additional shareholder approval requirements.

As a general matter, when preparing plans and presenting them for shareholder approval, issuers should strive to make plan terms easy to understand. In that regard, it is recommended that plans meant to permit repricing use explicit terminology to make this clear.

Rule 26711 provides an exception to the requirement for shareholder approval for warrants or rights offered generally to all security token holders. In addition, an exception is provided for tax qualified, non-discriminatory employee benefit plans as well as parallel nonqualified plans, as these plans are regulated under the Internal Revenue Code and Treasury Department regulations. An equity compensation plan that provides non-U.S. employees with substantially the same benefits as a comparable tax-qualified, non-discriminatory employee benefit plan or parallel nonqualified plan that the issuer provides to its U.S. employees, but for features necessary to comply with applicable foreign tax law, is also exempt from shareholder approval under this rule.

Further, there is an exception for inducement grants to new employees because in these cases a company has an arm’s length relationship with the new employees. Inducement grants for these purposes include grants of options or security tokens to new employees in connection with a merger or acquisition. Rule 26711 requires that such issuances must be approved by the issuer’s independent compensation committee or a majority of the issuer’s independent directors. Also, promptly following an issuance of any employment inducement grant in reliance on this

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exception, the listed company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of security tokens involved.

In addition, plans or arrangements involving a merger or acquisition do not require shareholder approval in two situations. First, shareholder approval will not be required to convert, replace or adjust outstanding options or other equity compensation awards to reflect the transaction. Second, security tokens available under certain plans acquired in acquisitions and mergers may be used for certain post-transaction grants without further shareholder approval. This exception applies to situations where the party which is not a listed company following the transaction has security tokens available for grant under pre-existing plans that meet the requirements of this Rule 26711. These security tokens may be used for post-transaction grants of options and other equity awards by the listed company (after appropriate adjustment of the number of security tokens to reflect the transaction), either under the pre-existing plan or arrangement or another plan or arrangement, without further shareholder approval, provided: (1) the time during which those security tokens are available for grants is not extended beyond the period when they would have been available under the pre-existing plan, absent the transaction, and (2) such options and other awards are not granted to individuals who were employed by the granting company or its subsidiaries at the time the merger or acquisition was consummated. A plan or arrangement adopted in contemplation of the merger or acquisition transaction would not be viewed as pre-existing for purposes of this exception. This exception is appropriate because it will not result in any increase in the aggregate potential dilution of the combined enterprise. In this regard, any additional security tokens available for issuance under a plan or arrangement acquired in connection with a merger or acquisition would be counted in determining whether the transaction involved the issuance of 20% or more of the company's outstanding Equity security tokens, thus triggering the shareholder approval requirements of Rule 26712(b).

Inducement grants, tax qualified non-discriminatory benefit plans, and parallel nonqualified plans are subject to approval by either the issuer's independent compensation committee, or a majority of the issuer's independent directors. A listed company is not permitted to use repurchased security tokens to fund option plans or grants without prior shareholder approval. In addition, the issuer must notify the Exchange in writing when it uses any of these exceptions (see also Rule 26300 Series with respect to the requirements applicable to additional listing of the underlying security tokens).

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The term "parallel nonqualified plan" means a plan that is a "pension plan" within the meaning of the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §1002 (1999), that is designed to work in parallel with a plan intended to be qualified under Internal Revenue Code Section 401(a), to provide benefits that exceed the limits set forth in Internal Revenue Code Section 402(g) (the section that limits an employee's annual pre-tax contributions to a 401(k) plan), Internal Revenue Code Section 401(a)(17) (the section that limits the amount of an employee's compensation that can be taken into account for plan purposes) and/or Internal Revenue Code Section 415 (the section that limits the contributions and benefits under qualified plans) and/or any successor or similar limitations that may thereafter be enacted. However, a

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plan will not be considered a parallel nonqualified plan unless (i) it covers all or substantially all employees of an employer who are participants in the related qualified plan whose annual compensation is in excess of the limit of Code Section 401(a)(17) (or any successor or similar limitation that may hereafter be enacted) and (ii) its terms are substantially the same as the qualified plan that it parallels except for the elimination of the limitations described in the preceding sentence; and (iii) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

26712. Acquisitions

Approval of shareholders is required in accordance with Rule 26705 as a prerequisite to approval of applications to list additional security tokens to be issued as sole or partial consideration for an acquisition of the equity or assets of another company in the following circumstances:

(a) if any individual director, officer or substantial shareholder of the listed company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction and the present or potential issuance of equity security tokens, or securities convertible into equity security tokens, could result in an increase in outstanding equity security tokens of 5% or more; or

(b) where the present or potential issuance of equity security tokens, or securities convertible into equity security tokens, could result in an increase in outstanding equity security tokens of 20% or more.

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A series of closely related transactions may be regarded as one transaction for the purpose of this policy. Companies engaged in merger or acquisition discussions must be particularly mindful of the Exchange's timely disclosure policies. In view of possible market sensitivity and the importance of providing investors with sufficient information relative to an intended merger or acquisition, listed company representatives are strongly urged to consult with the Exchange in advance of such disclosure.

26713. Other Transactions

The Exchange will require shareholder approval in accordance with Rule 26705 as a prerequisite to approval of applications to list additional security tokens in the following circumstances:

- (a) when the additional security tokens will be issued in connection with a transaction involving:
- (1) the sale, issuance, or potential issuance by the issuer of equity security tokens (or securities convertible into equity security tokens) at a price less than the greater of book or market value which together with sales by officers, directors or principal shareholders of the issuer equals 20% or more of presently outstanding equity security tokens; or

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- (2) the sale, issuance, or potential issuance by the issuer of equity security tokens (or securities convertible into equity security tokens) equal to 20% or more of presently outstanding equity security tokens for less than the greater of book or market value of the equity security tokens; or
- (b) when the issuance or potential issuance of additional security tokens will result in a change of control of the issuer, including, but not limited to, those issuances that constitute a Reverse Merger as specified in Rule 26341.

The Exchange should be consulted whenever an issuer is considering issuing a significant percentage of its security tokens, to ascertain whether shareholders' approval will be required under this rule.

NOTE: This rule does not apply to public offerings.

IM-26713-1

Rule 26713 provides that shareholder approval is required for “a transaction involving the sale or issuance by the company of equity security tokens (or securities convertible into or exercisable for equity security tokens) equal to 20 percent or more of presently outstanding security tokens for less than the greater of book or market value of the security token.” Under this rule, shareholder approval is not required for a “public offering.”

Issuers are encouraged to consult with the Exchange in order to determine if a particular offering is a “public offering” for purposes of the shareholder approval rules. Generally, a firm commitment underwritten securities offering registered with the Securities and Exchange Commission will be considered a public offering for these purposes. Likewise, any other securities offering which is registered with the Securities and Exchange Commission and which is publicly disclosed and distributed in the same general manner and extent as a firm commitment underwritten securities offering will be considered a public offering for purposes of the shareholder approval rules. However, the Exchange will not treat an offering as a “public offering” for purposes of the shareholder approval rules merely because they are registered with the Commission prior to the closing of the transaction.

When determining whether an offering is a “public offering” for purposes of these rules, the Exchange will consider all relevant factors, including but not limited to:

- (i) the type of offering (including whether the offering is conducted by an underwriter on a firm commitment basis, or an underwriter or placement agent on a best-efforts basis, or whether the offering is self-directed by the issuer);
- (ii) the manner in which the offering is marketed (including the number of investors offered security tokens, how those investors were chosen, and the breadth of the marketing effort);

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- (iii) the extent of the offering's distribution (including the number and identity of the investors who participate in the offering and whether any prior relationship existed between the issuer and those investors);
- (iv) the offering price (including the extent of any discount to the market price of the security tokens offered); and
- (v) the extent to which the issuer controls the offering and its distribution.

26714 – 26719. Reserved**26720. Application of Proxy Rules**

Rules 26720 through 26725 and Rules 26727 through 26729, inclusive, apply to Participant regardless of whether the security token involved is traded on the Exchange. However, if a conflict arises between these rules and those of another registered national securities association or exchange, the rules of the Exchange apply only if it is the principal market for the security token.

IM-26702-1

All Participants are expected to be familiar with the proxy rules of the Securities and Exchange Commission.

26721. Giving of Proxies—Restrictions on Participants

No Participant shall give or authorize the giving of a proxy to vote security tokens registered in its name, or in the name of its nominee, except as required or permitted under the provisions of Rule 26723, unless such Participant is the beneficial owner of such security tokens. Notwithstanding the foregoing.

- (1) any Participant designated by a named fiduciary as the investment manager of security tokens held as assets of an ERISA Plan that expressly grants discretion to the investment manager to manage, acquire, or dispose of any plan asset and which has not expressly reserved the proxy voting right for the named fiduciary may vote the proxies in accordance with its ERISA Plan fiduciary responsibilities; and
- (2) any person registered as an investment adviser either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner to vote the proxies for security tokens which is in the possession or control of the Participant, may vote such proxies.

IM-26721-1

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The term “state” as used in Rules 26721, 26722, 26723 and 26725 shall have the meaning given to such term in Section 202(a)(19) of the Investment Advisers Act of 1940, as such term may be amended from time to time therein.

26722. Transmission of Proxy Material to Customers

(a) Whenever a person soliciting proxies shall furnish a Participant:

- (1) copies of all soliciting material which such person is sending to registered holders, and
- (2) satisfactory assurance that he will reimburse such Participant for all out-of-pocket expenses, including reasonable clerical expenses, incurred by such Participant in connection with such solicitation, such Participant shall transmit to each beneficial owner of security tokens which is in its possession or control or to an investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner of such security token (hereinafter “designated adviser”) to receive soliciting material in lieu of the beneficial owner, the material furnished; and

(b) such Participant shall transmit with such material either:

- (1) a request for voting instructions and, as to matters which may be voted without instructions under Rule 20723, a statement to the effect that, if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record of the security token; provided, however, that such statement may be made only when the proxy soliciting material is transmitted to the beneficial owner of the security token or to the beneficial owner’s designated investment adviser, at least fifteen days before the meeting. When the proxy soliciting material is transmitted to the beneficial owner of the security token or to the beneficial owner’s designated investment adviser twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the security token; or
- (2) a signed proxy indicating the number of security tokens held for such beneficial owner and bearing a symbol identifying the proxy with proxy records of such Participant, and also a letter informing the beneficial owner or the beneficial owner’s designated investment adviser, of the necessity for completing the proxy form and forwarding it to the person soliciting proxies in order that the security tokens may be represented at the meeting.

IM-26722-1 Annual reports to be transmitted

The annual report shall be transmitted to beneficial owners or to the beneficial owners’ designated investment advisers under the same conditions as those applying to proxy soliciting material under Rule 26722 even though it is not proxy-soliciting material under the proxy rules of the Securities and Exchange Commission.

EXHIBIT 5A**IM-26722-2 Forms of letters to clients requesting voting instructions**

The BSTX Listing Supplement contains specimens of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are shown as examples and not as prescribed forms. Participants are permitted to adapt the form of these letters for their own purposes provided all of the required information and instructions are clearly enumerated in letters to clients.

These letters are designed to permit furnishing to clients the actual proxy form for use in transmitting instructions to the Participant.

IM-26722-3 Forwarding of signed proxy

The following conditions shall be met by a Participant adopting the procedure of sending signed proxies to customers:

- (1) Each signed proxy sent to a customer shall contain a code number for identification and the exact number of security tokens held of record for the account of the customer.
- (2) Signed proxies sent to customers shall be accompanied by appropriate instructions to the customer for transmitting his vote to the company.
- (3) The Participant shall advise the company of the number of proxies sent to customers and the identifying numbers and security tokens represented by such proxies.
- (4) When requested by a company, the Participant shall send a follow-up request to customers whose proxies have not been received by the company.
- (5) Records of the Participant covering the solicitation of proxies shall show:
 - (a) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
 - (b) names of customers to whom the material and proxies are sent, and the date of mailing;
 - (c) the number of security tokens covered by each proxy;
 - (d) the code number of each customer's proxy.

IM-26722-4 Forms of letters to clients to accompany signed proxies

The BSTX Listing Supplement contains specimens of letters containing the information and instructions required pursuant to the proxy rules to be given to clients in the circumstances indicated in the appropriate heading. These are shown as examples and not as prescribed forms.

EXHIBIT 5A**IM-26722-5 Method to be used in transmission of proxy material**

First class mail should be used to facilitate the obtaining of voting instructions or forwarding signed proxies, unless another method is specified by the persons for whom the material is transmitted.

IM-26722-6 Duty to transmit even when requested not to

The proxy material must be sent to a beneficial owner even though such owner has instructed the Participant not to do so, unless the beneficial owner has instructed the Participant in writing to send such material to the beneficial owner's designated investment adviser.

IM-26722-7

Reserved

IM-26722-8 Approved charges by Participants in connection with proxy solicitations.

The rates of reimbursement of Participants for all out-of-pocket expenses must be fair and reasonable, including reasonable clerical expenses, incurred in connection with proxy solicitations pursuant to Rule 26722 and in mailing interim reports or other material pursuant to Rule 26725. The Exchange may provide Participants with a list of approved rates of reimbursement of Participants for all out-of-pocket expenses via circular or posting on the Exchange's website. In addition to any charges specified by the Exchange, Participants also are entitled to receive reimbursement for: (i) actual postage costs (including return postage at the lowest available rate); (ii) the actual cost of envelopes (provided they are not furnished by the person soliciting proxies); and (iii) any actual communication expenses (excluding overhead) incurred in receiving voting returns either telephonically or electronically.

IM-26722-9.3

Participants are required to mail out such material as provided by Rules 26722 and 26725 when satisfactory assurance is received of reimbursement of expenses at such rates: provided that a Participant may request reimbursement of expenses at less than Exchange approved rates; however, no Participant may seek reimbursement at rates higher than any Exchange approved rates or for items or services not specifically listed by the Exchange without the prior notification to and consent of the person soliciting proxies or the company.

IM-26722-9.4 "Householding" of Reports

Rules 26722 and 26725 require Participants to transmit issuer-supplied annual reports, interim reports, proxy statements and other material to beneficial owners. Participants are not required to transmit more than one annual report, interim report, proxy statement or other material to beneficial owners with more than one account (including trust accounts). In addition, Participants may eliminate multiple transmissions of reports, statements or other materials to beneficial

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owners having the same address, provided they comply with applicable SEC rules with respect thereto (see SEC Rule 14b-1 under the Securities Exchange Act of 1934).

26723. Giving Proxies By Participants

A Participant shall give or authorize the giving of a proxy for security tokens registered in its name, or in the name of its nominee, at the direction of the beneficial owner. If the security token is not in the control or possession of the Participant, satisfactory proof of the beneficial ownership as of the record date may be required.

(a) Voting Participant Holdings as Executor, etc.

A Participant may give or authorize the giving of a proxy to vote any security token registered in its name, or in the name of its nominee, if such Participant holds such security tokens as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

(b) Voting Procedure Without Instructions

A Participant which has transmitted proxy soliciting material to the beneficial owner of a security token or to an investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state who exercises investment discretion pursuant to an advisory contract for the beneficial owner and has been designated in writing by the beneficial owner of such security token (hereinafter “designated investment adviser”) to receive soliciting material in lieu of the beneficial owner and solicited voting instructions in accordance with the provisions of Rule 26722, and which has not received instructions from the beneficial owner or from the beneficial owner’s designated investment adviser by the date specified in the statement accompanying such material, may give or authorize the giving of a proxy to vote such security token, provided the person in the Participant organization giving or authorizing the giving of the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action is adequately disclosed to security token holders and does not include authorization for a merger, consolidation or any other matter which may affect substantially the rights or privileges of such security token.

(c) Instructions on security tokens in Names of Other Participants

A Participant which has in its possession or control security tokens registered in the name of another Participant, and which has solicited voting instructions in accordance with the provisions of Rule 26722(b)(1), shall

(1) Forward to the second Participant any voting instructions received from the beneficial owner, or

(2) if the proxy-soliciting material has been transmitted to the beneficial owner of the security token in accordance with Rule 26722 and no instructions have been received by the date specified in the statement accompanying such material, notify the second Participant of

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such fact in order that such Participant may give the proxy as provided in the third paragraph of this rule.

(d) Signed Proxies for security tokens in Names of Other Participants

A Participant which has in its possession or control security tokens registered in the name of another Participant, and which desires to transmit signed proxies pursuant to the provisions of Rule 26722(b)(2), shall obtain the requisite number of signed proxies from such holder of record.

IM-26723-1 When a Participant may vote without customer instructions.

Rule 26723, above, provides that a Participant may give a proxy to vote security tokens provided that:

- (1) it has transmitted proxy soliciting material to the beneficial owner of security tokens or to the beneficial owner's designated investment adviser in accordance with Rule 26722, and
- (2) it has not received voting instructions from the beneficial owner or from the beneficial owner's designated investment adviser, by the date specified in the statement accompanying such material, and
- (3) the person at the Participant giving or authorizing the giving of the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action is adequately disclosed to shareholders and does not include authorization for a merger, consolidation or any matter which may affect substantially the rights or privileges of such security tokens.

IM-26723-2 When Participants may not vote without customer instructions

In the list of meetings of shareholders, after proxy material has been reviewed by the Exchange, each meeting will be designated by an appropriate symbol to indicate either (a) that Participants may vote a proxy without instructions of beneficial owners, (b) that Participants may not vote specific matters on the proxy, or (c) that Participants may not vote the entire proxy.

Generally speaking, a Participant may not give or authorize a proxy to vote without instructions from beneficial owners when the matter to be voted upon:

- (1) is not submitted to shareholders by means of a proxy statement comparable to that specified in Schedule 14-A of the Securities and Exchange Commission;
- (2) is the subject of a counter-solicitation, or is part of a proposal made by a shareholder which is being opposed by management (i.e., a contest);

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- (3) relates to a merger or consolidation (except when the company's proposal is to merge with its own wholly owned subsidiary, provided its shareholders dissenting thereto do not have rights of appraisal);
- (4) involves right of appraisal;
- (5) authorizes mortgaging of property;
- (6) authorizes or creates indebtedness or increases the authorized amount of indebtedness;
- (7) authorizes or creates a preferred security token or stock, or increases the authorized amount of an existing preferred security token or stock;
- (8) alters the terms or conditions of existing security tokens or indebtedness;
- (9) involves waiver or modification of preemptive rights;
- (10) changes existing quorum requirements with respect to shareholder meetings;
- (11) alters voting provisions or the proportionate voting power of a security token, or the number of its votes per security token (except where cumulative voting provisions govern the number of votes per security token for election of directors and the company's proposal involves a change in the number of its directors by not more than 10% or not more than one);
- (12) authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not shareholder approval of such plan is required by Rule 26711;

Commentary to Item 12 - A Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. See Item 21.

- (13) authorizes
 - (a) a new profit-sharing or special remuneration plan, or a new retirement plan, the annual cost of which will amount to more than 10% of average annual income before taxes for the preceding five years, or
 - (b) the amendment of an existing plan which would bring its cost above 10% of such average annual income before taxes.

Exception may be made in cases of

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- (a) retirement plans based on agreement or negotiations with labor unions (or which have been or are to be approved by such unions); and
- (b) any related retirement plan for benefit of non-union employees having terms substantially equivalent to the terms of such union-negotiated plan, which is submitted for action of shareholders concurrently with such union-negotiated plan.

Commentary to Item 13 - A Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. See Item 21.

- (14) changes the purposes or powers of a company to an extent which would permit it to change to a materially different line of business and it is the company's stated intention to make such a change;
- (15) authorizes the acquisition of property, assets, or a company, where the consideration to be given has a fair value approximating 20% or more of the market value of the previously outstanding security tokens;
- (16) authorizes the sale or other disposition of assets or earning power approximating 20% or more of those existing prior to the transaction;
- (17) authorizes a transaction not in the ordinary course of business in which an officer, director or substantial security holder has a direct or indirect interest;
- (18) reduces earned surplus by 51% or more, or reduces earned surplus to an amount less than the aggregate of three years' security token dividends computed at the current dividend rate;
- (19) is the election of directors, provided, however, that this prohibition shall not apply in the case of a company registered under the Investment Company Act of 1940;
- (20) materially amends an investment advisory contract with an investment company; or

Commentary to Item 20 - A material amendment to an investment advisory contract would include any proposal to obtain shareholder approval of an investment company's investment advisory contract with a new investment adviser, which approval is required by the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules thereunder. Such approval will be deemed to be a "matter which may affect substantially the rights or privileges of such stock" for purposes of this rule so that a Participant may not give or authorize a proxy to vote security tokens registered in its name absent instruction from the beneficial holder of the security tokens. As a result, for example, a Participant may not give or authorize a proxy to vote security tokens registered in its name, absent instruction from the beneficial holder of the security tokens, on any proposal to obtain shareholder approval required by the 1940 Act of an investment advisory contract between an investment

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company and a new investment adviser due to an assignment of the investment company's investment advisory contract, including an assignment caused by a change in control of the investment adviser that is party to the assigned contract.

(21) relates to executive compensation.

Commentary to Item 21 - A matter relating to executive compensation would include, among other things, the items referred to in Section 14A of the Exchange Act, including (i) an advisory vote to approve the compensation of executives, (ii) a vote on whether to hold such an advisory vote every one, two or three years, and (iii) an advisory vote to approve any type of compensation (whether present, deferred, or contingent) that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or substantially all of the assets of an issuer and the aggregate total of all such compensation that may (and the conditions upon which it may) be paid or become payable to or on behalf of an executive officer. In addition, a Participant may not give or authorize a proxy to vote without instructions on a matter relating to executive compensation, even if such matter would otherwise qualify for an exception from the requirements of Item 12, Item 13 or any other Item under this Rule 26723. Any vote on these or similar executive compensation-related matters is subject to the requirements of Rule 20723.

IM-26732-3 Discretionary and non-discretionary proposals in one proxy form

In some cases, a proxy form may contain proposals, some of which may be acted upon at the discretion of the Participant in the absence of instructions, and others which may be voted only in accordance with the directions of the beneficial owner. This should be indicated in the letter of transmittal. In such cases, the Participant may vote the proxy in the absence of instructions if it physically crosses out those portions where it does not have discretion.

IM-26732-4 Cancellation of discretionary proxy where counter-solicitation develops

Where a discretionary proxy has been given in good faith under the rules and counter-solicitation develops at a later date, thereby creating a "contest", the question as to whether or not the discretionary proxy should then be cancelled is a matter which each Participant must decide for itself. After a contest has developed no further proxies should be given except at the direction of beneficial owners.

IM-26732-5 Subsequent proxy

Where a Participant gives a subsequent proxy, it should clearly indicate whether the proxy is in addition to, in substitution for or in revocation of any prior proxy.

IM-26732-6 Signing and dating proxy-designating security tokens covered

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All proxies should be dated and should show the number of security tokens voted. Since manual signatures are sometimes illegible, a Participant should also either type or rubber-stamp its name on such proxy.

IM-26732-7 Proxy records

Records covering the solicitation of proxies shall show the following:

- (1) the date of receipt of the proxy material from the issuer or other person soliciting the proxies;
- (2) names of customers to whom the material is sent together with date of mailing;
- (3) all voting instructions showing whether verbal or written; and
- (4) a summary of all proxies voted by the Participant clearly setting forth total security tokens voted for or against or not voted for each proposal to be acted upon at the meeting.

Verbal voting instructions may be accepted provided a record is kept of the instructions of the beneficial owner and the instructions are retained by the Participant. The record shall also indicate the date of the receipt of the instructions and the name of the recipient.

Instructions from beneficial owners may also be accepted by Participants or their agents through the use of an automated telephone voting system or other electronic means, which has been approved by the Exchange. Such a system shall utilize an identification code for beneficial owners and provide an opportunity for beneficial owners to validate votes to ensure that they were received correctly. The automated system must provide beneficial owners with the same power and authority to issue, revoke, or otherwise change voting instructions as currently exists for instructions communicated in written form. Records of voting including the date of receipt of instructions and the name of the recipient must be retained by the Participant or their agents.

IM-26732-8 Retention of records

All proxy solicitation records, originals of all communications received and copies of all communications sent relating to such solicitation, shall be retained for a period of not less than three years, the first two years in an easily accessible place.

26724. Transfers to Facilitate Solicitation

A Participant, when so requested by the Exchange, shall transfer security tokens held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, or in the name of its nominee, prior to the taking of a record of shareholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least 10 percent of such security token, provided, if the Exchange so requires, the

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issuer or persons making such request agree to indemnify Participants against transfer taxes, the Exchange may make such a request whenever it deems it advisable.

26725. Transmission of Interim Reports and Other Material

A BSTX Participant, when so requested by a company, and upon being furnished with:

- (1) copies of interim reports of earnings or other material being sent to shareholders, and
- (2) satisfactory assurance that it will be reimbursed by such company for all out-of-pocket expenses, including reasonable clerical expenses, shall transmit such reports or materials to each beneficial owner of security tokens of such company held by such Participant and registered in a name other than the name of the beneficial owner unless the beneficial owner has instructed the Participant in writing to transmit such reports or material to a designated investment adviser registered either under the Investment Advisers Act of 1940 or under the laws of a state, who exercises investment discretion pursuant to an advisory contract for such beneficial owner.

26726. Voting by DMMs

BSTX DMMs are prohibited from soliciting, directly or indirectly, any proxy on behalf of themselves or any other person in respect of a security token in which they are registered as a DMM. DMMs are also prohibited from voting in any proxy contest any such security token in which they have a beneficial interest.

26727. Proxy to Show Number of security tokens

In all cases in which a proxy is given by a Participant the proxy shall state the actual number of security tokens for which the proxy is given.

26728. Rules Apply to Nominees

Rules 26721 through 26724 and 26727 shall apply also to any nominees of Participants. They shall apply also to voting in person.

26729. Representations to Management

Before a Participant or employee thereof states to the management of a listed company that he represents shareholders in making demands for changes in management or company policies, he must have received permission of such shareholders to make such demands.

26800 – Corporate Governance**26801. General**

In addition to the quantitative listing standards set forth in the Rule 26100 Series, this Rule 26800 Series specifies certain corporate governance listing standards. These standards apply to

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all listed companies, subject to the exceptions set forth below, to the extent not inconsistent with Rule 10A-3 under the Securities Exchange Act of 1934.

- (a) **Controlled Companies**—A company in which over 50% of the voting power is held by an individual, a group or another company (a “controlled company”) is not required to comply with Rules 26802(a), 26804 or 26805. A controlled company that chooses to take advantage of any or all of these exceptions must disclose in its annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) that it is a controlled company and the basis for that determination.
- (b) **Limited Partnerships and Companies in Bankruptcy**—Limited partnerships and companies in bankruptcy are not required to comply with Rules 26802(a), 26804 or 26805. If a limited partnership is managed by a general partner rather than a board of directors, the audit committee requirements applicable to the listed entity should be satisfied by the general partner.
- (c) Reserved
- (d) **Registered Management Investment Companies**—Management investment companies that are registered under the Investment Company Act of 1940 (including closed-end funds) are subject to extensive federal regulation. Accordingly, closed-end funds are not required to comply with the requirements in the Rule 26800 Series other than Rules 26802(e), 26803B(1) and the other provisions of Rule 26803 to the extent required under Rule 10A-3 under the Securities Exchange Act of 1934, and are also required to comply with Rule 26810. Closed-end funds are required to comply with the provision in Rule 26803B(4) requiring audit committees for investment companies to establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.
- (e) **Business development companies**, which are a type of closed-end management investment company defined in Section 2(a)(48) of the Investment Company Act of 1940, that are not registered under that Act, are subject to all corporate governance requirements
- (f) Reserved
- (g) **Preferred**—Companies listing only preferred security tokens on the Exchange (including cooperative entities that are structured to comply with relevant state law and federal tax law and do not have a publicly traded class of common stock or equity security token) are only required to comply with Rule 26803 to the extent required by Rule 10A-3 under the Securities Exchange Act of 1934 and the issuer must also comply with Rules 26810(b) and 26810(c).
- (h) **Smaller Reporting Companies** - Issuers that satisfy the definition of Smaller Reporting Company in Exchange Act Rule 12b-2 are subject to all requirements specified in Rules 26802 and 26803 below, except that such issuers are only required to maintain a board of directors comprised of at least 50% independent directors, and an audit committee of at

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least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. Smaller Reporting Companies are subject to Rule 26805, except that they are not subject to Rules 26805(c)(1) and (c)(4).

26802. Board of Directors

- (a) At least a majority of the directors on the Board of Directors of each listed company must be independent directors as defined in Rule 26803A, unless the issuer is a controlled company (see Rule 26801(a)), a Smaller Reporting Company (see Rule 26801 (h)) or otherwise exempt under Rule 26801. Each listed company must disclose in its annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) those directors that the board of directors has determined to be independent pursuant to Rule 26803A.
- (b) If an issuer fails to comply with the board independence composition requirement due to one vacancy, or if one director ceases to be independent due to circumstances beyond his or her reasonable control, the issuer shall regain compliance with the requirement by the earlier of its next annual shareholders' meeting or one year from the occurrence of the event that caused the failure to comply with this requirement; provided, however, that if the annual shareholders' meeting occurs no later than 180 days following the event that caused the failure to comply with this requirement, the issuer shall instead have 180 days from such event to regain compliance.
- (c) Each company shall hold meetings of its Board of Directors on at least a quarterly basis. The independent directors shall meet on a regular basis as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management.
- (d) The Board of Directors of each listed company may not be divided into more than three classes. Where the company's charter provides for classes, they should be of approximately equal size and tenure and directors' terms of office should not exceed three years. This paragraph is not intended to restrict the number of terms of office that a director may serve, whether consecutive or otherwise.
- (e) A listed company is not permitted to appoint or permit an Exchange employee to serve on its Board of Directors.
- (f) Listed companies are urged to develop and implement continuing education programs for all directors, including orientation and training programs for new directors (see also IM-26807-1 to Rule 26807).

26803. Independent Directors and Audit Committee**A. Independent Directors.**

- (1) Each issuer must have a sufficient number of independent directors on its board of directors (a) such that at least a majority of such directors are independent directors

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(subject to the exceptions set forth in Rule 26801 (a) and (b) to satisfy the audit committee requirements set forth below.

(2) “Independent director” means a person other than an executive officer or employee of the company. No director qualifies as independent unless the issuer’s board of directors affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In addition to the requirements contained in this Rule 26803(a): (i) directors serving on audit committees must also comply with the additional, more stringent requirements set forth in Rule 26803B(2) below; and (ii) directors serving on compensation committees and, in the case of a company that does not have a compensation committee, all independent directors, must also comply with the additional, more stringent requirements set forth in Rule 26805(c) below. The following is a non-exclusive list of persons who shall not be considered independent:

(a) a director who is, or during the past three years was, employed by the company, other than prior employment as an interim executive officer (provided the interim employment did not last longer than one year) (See IM-26803-8;

(b) a director who accepted or has an immediate family member who accepted any compensation from the company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i) compensation for board or board committee service,

(ii) compensation paid to an immediate family member who is an employee (other than an executive officer) of the company,

(iii) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year) (See IM-26803-8), or

(iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

(c) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by the company as an executive officer;

(d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company’s securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization’s consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;

B. Audit Committee:

EXHIBIT 5A**(1) Charter**

Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify the following:

- (a) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;
- (b) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the issuer, consistent with The Public Company Accounting Oversight Board Rule 3526, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor;
- (c) the audit committee's purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer; and
- (d) the specific audit committee responsibilities and authority set forth in Rule 26803B(4).

(2) Composition

- (a) Each issuer must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom:
 - (i) satisfies the independence standards specified in Rule 26803A and Rule 10A-3 under the Securities Exchange Act of 1934;
 - (ii) must not have participated in the preparation of the financial statements of the issuer or any current subsidiary of the issuer at any time during the past three years; and
 - (iii) is able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 407(d)(5)(ii) and (iii) of Regulation S-K or Item 3 of Form N-CSR (in the case of a registered management investment company) is presumed to qualify as financially sophisticated.

EXHIBIT 5A

- (b) Notwithstanding Rule 26803B(2)(a), one director who is not independent as defined in Rule 26803A, but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (see Rule 26803B(2)(a)(i)), and is not a current officer or employee or an immediate family member of such officer or employee, may be appointed to the audit committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the issuer and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the audit committee pursuant to this exception may not serve for in excess of two consecutive years and may not chair the audit committee.
- (c) Smaller Reporting Companies – Issuers that satisfy the definition of Smaller Reporting Company in Regulation S-K, Item 10(f)(1) are only required to maintain an audit committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.
- (3) Meeting Requirements – The audit committee of each issuer must meet on at least a quarterly basis, except that with respect to registered closed-end management investment companies, the audit committee must meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with issuance of the investment company’s audited financial statements.
- (4) Audit Committee Responsibilities and Authority – The audit committee of each issuer must have the specific audit committee responsibilities, authority and procedures necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c) under the Securities Exchange Act of 1934), concerning responsibilities relating to: (a) registered public accounting firms, (b) complaints relating to accounting, internal accounting controls or auditing matters, (c) authority to engage advisors, and (d) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.
- (5) Exception – At any time when an issuer has a class of common equity securities (or similar securities which may include equity security tokens) that is listed on another national securities exchange or national securities association subject to the requirements of SEC Rule 10A-3 under the Securities Exchange Act of 1934, the listing of classes of security tokens of a direct or indirect consolidated subsidiary or an at least 50% beneficially owned subsidiary of the issuer (except classes of equity security tokens, other than non-convertible, non-participating preferred security tokens, of such subsidiary) shall not be subject to the requirements of this Rule 26803B.

EXHIBIT 5A**(6) Cure Period**

- (a) If an issuer fails to comply with the audit committee composition requirements because a member of the issuer's audit committee ceases to be independent in accordance with Rule 26803A and/or the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 for reasons outside the member's reasonable control, that person, with prompt notice to the Exchange, may remain an audit committee member of the issuer until the earlier of the next annual shareholders' meeting of the issuer or one year from the occurrence of the event that caused the member to be no longer independent.
- (b) If an issuer fails to comply with the audit committee composition requirements because a vacancy arises on the audit committee, and the cure period in paragraph (a) is not otherwise being relied upon for another member, the issuer will have until the earlier of the next annual shareholders' meeting or one year from the occurrence of the event that caused the failure to comply with this requirement; provided, however, that if the annual shareholders' meeting occurs no later than 180 days following the event that caused the failure to comply with the audit committee composition requirement, the listed issuer (other than a Smaller Reporting Company) shall instead have 180 days from such event to regain compliance and for a Smaller Reporting Company if the annual shareholders' meeting occurs no later than 75 days following the event that caused the failure to comply with the audit composition requirement a Smaller Reporting Company shall instead have 75 days from such event to regain compliance.

IM-26803-1

"Immediate family member" includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home (other than domestic employees).

IM-26803-2

"Company" includes any parent or subsidiary of the issuer listed on BSTX. "Parent" or "subsidiary" includes entities that are consolidated with the issuer's financial statements as filed with the SEC (but not if the issuer reflects such entity solely as an investment in its financial statements).

IM-26803-3

"Officer" shall have the meaning specified in Rule 16a-1(f) under the Securities Exchange Act of 1934, or any successor rule.

IM-26803-4

"Executive Officer" shall have the meaning specified in Rule 3b-7 under the Securities Exchange Act of 1934, or any successor rule.

EXHIBIT 5A**IM-26803-5**

Reserved

IM-26803-6

In order to affirmatively determine that an independent director does not have a material relationship with the issuer that would interfere with the exercise of independent judgment, as specified in Rule 26803A, the board of directors of each issuer must obtain from each such director full disclosure of all relationships which could be material in this regard.

IM-26803-7

The three year look-back periods referenced in Rules 26803A(2)(a), and (c) commence on the date the relationship ceases. For example, a director employed by the company is not independent until three years after such employment terminates.

IM-20803-8

For purposes of Rule 26803A(2)(a), employment by a director as an executive officer on an interim basis shall not disqualify that director from being considered independent following such employment, provided the interim employment did not last longer than one year. A director would not be considered independent while serving as an interim officer. Similarly, for purposes of Rule 26803A(2)(b), compensation received by a director for former service as an interim executive officer need not be considered as compensation in determining independence after such service, provided such interim employment did not last longer than one year. Nonetheless, the issuer's board of directors still must consider whether such former employment and any compensation received would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. In addition, if the director participated in the preparation of the company's financial statements while serving as an interim executive officer, Rule 26803B(2)(a)(ii) would preclude service on the issuer's audit committee for three years.

IM-20803-9

Rule 26803A(2)(b) is generally intended to capture situations where compensation is made directly to (or for the benefit of) the director or an immediate family member of the director. For example, consulting or personal service contracts with a director or an immediate family member of the director would be analyzed under Rule 26803A(2)(b). In addition, political contributions to the campaign of a director or an immediate family member of the director would be considered indirect compensation under Rule 26803A(2)(b). Non-preferential payments made in the ordinary course of providing business services (such as payments of interest or proceeds related to banking services or loans by an issuer that is a financial institution or payment of claims on a policy by an issuer that is an insurance company), payments arising solely from investments in the company's securities and loans permitted under Section 13(k) of the Securities Exchange Act of 1934 will not preclude a finding of director independence as long as

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the payments are non-compensatory in nature. Depending on the circumstances, a loan or payment could be compensatory if, for example, it is not on terms generally available to the public.

26804. Board Nominations

- (a) Board of Director nominations must be either selected, or recommended for the Board's selection, by either a Nominating Committee comprised solely of independent directors or by a majority of the independent directors.
- (b) Notwithstanding paragraph (a) above, if the Nominating Committee is comprised of at least three members, one director who is not independent as defined in Rule 26803A, and is not a current officer or employee or an immediate family member of such person, may be appointed to the Nominating Committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Nominating Committee pursuant to this exception may not serve for in excess of two years.
- (c) Each listed company must adopt a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

IM-26804-1

Rule 26804 is not applicable to a controlled company (See Rule 26801(a)).

IM-26804-2

If a company is legally required by contract or otherwise to provide third parties with the ability to nominate and/or appoint directors (e.g., preferred security token or stock rights to elect directors upon dividend default, shareholder agreements, management agreements), the selection and nomination of such directors is not subject to approval by the Nominating Committee or a majority of independent directors.

IM-26804-3

Rule 26804 is not applicable to a company if it is subject to a binding obligation that requires a director nomination structure inconsistent with Rule 26804 and such obligation pre-dates the approval date of Rule 26804.

26805. Executive Compensation

- (a) Compensation of the chief executive officer of a listed company must be determined, or

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recommended to the Board for determination, either by a Compensation Committee comprised of independent directors or by a majority of the independent directors on its Board of Directors (as used in this Rule 26805, the term “Compensation Committee” shall, in relation to any listed company that does not have a Compensation Committee, refer to the listed company’s independent directors as a group). The chief executive officer may not be present during voting or deliberations. Compensation for all other officers must be determined, or recommended to the Board for determination, either by such Compensation Committee or a majority of the independent directors on the company’s Board of Directors.

- (b) Notwithstanding paragraph (a) above, if the Compensation Committee of a Smaller Reporting Company is comprised of at least three members, one director who is not independent as defined in Rule 26803A, and is not a current officer or employee or an immediate family member of such person, may be appointed to the Compensation Committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the Compensation Committee pursuant to this exception may not serve for in excess of two years.
- (c)
- (1) Independence Requirements. In addition to the director independence requirements of Rule 26803A, the board must affirmatively determine that all of the members of the Compensation Committee or, in the case of a company that does not have a Compensation Committee, all of the independent directors, are independent under this Rule 26805(c)(1). In affirmatively determining the independence of any director who will serve on the Compensation Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director’s ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and (B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.
 - (2) Cure Period. If a listed company fails to comply with the Compensation Committee composition requirements of either paragraph (a) above or (if applicable) this Rule 26805(c) because a member of the Compensation Committee ceases to be independent in accordance with Rule 26803A or (if applicable) this Rule 26805(c) for reasons outside the member’s reasonable control, that person, with prompt notice to the Exchange and only so long as a majority of the members of the Compensation Committee continue to be

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independent in accordance with the applicable Exchange independence standards, may remain a member of the Compensation Committee until the earlier of the next annual shareholders' meeting of the listed company or one year from the occurrence of the event that caused the member to be no longer independent.

(3) Compensation Consultants

- i. The Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.
- ii. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Compensation Committee.
- iii. The listed company must provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the Compensation Committee.

(4) Compensation Consultant Independence. The Compensation Committee may select a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration all relevant factors, including the following:

- i. The provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser;
- ii. The amount of fees received from the listed company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- iii. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- iv. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- v. Any stock or equity security token of the listed company owned by the compensation consultant, legal counsel or other adviser; and
- vi. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.

(5) Transition Period for Companies Losing Their Smaller Reporting Company Status. Under Exchange Act Rule 12b-2, a company tests its status as a smaller reporting company on an annual basis at the end of its most recently completed

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second fiscal quarter (hereinafter, for purposes of this subsection, the “Smaller Reporting Company Determination Date”). A smaller reporting company which ceases to meet the requirements for smaller reporting company status as of the last business day of its second fiscal quarter will cease to be a smaller reporting company as of the beginning of the fiscal year following the Smaller Reporting Company Determination Date. The compensation committee of a company that has ceased to be a smaller reporting company shall be required to comply with Rule 26805(c)(4) as of six months from the date it ceases to be a smaller reporting company and must have:

- i. one member of its compensation committee that meets the independence standard of Rule 26805(c)(1) within six months of that date;
- ii. a majority of directors on its compensation committee meeting those requirements within nine months of that date; and
- iii. a compensation committee comprised solely of members that meet those requirements within twelve months of that date.

Any such company that does not have a compensation committee must comply with this transition requirement with respect to all of its independent directors as a group.

IM-26805-1

Rule 26805 is not applicable to a controlled company (See Rule 26801(a)). Rules 26805(c)(1) and (c)(4) are not applicable to a smaller reporting company.

IM-26805-2

The Compensation Committee or a majority of the independent directors is not precluded from approving awards (either with or without board ratification) or from seeking board ratification or approval as may be required to comply with applicable tax or state corporate laws.

IM-26805-3

When considering the sources of a director’s compensation in determining his independence for purposes of compensation committee service, the board should consider whether the director receives compensation from any person or entity that would impair his ability to make independent judgments about the listed company’s executive compensation. Similarly, when considering any affiliate relationship a director has with the company, a subsidiary of the company, or an affiliate of a subsidiary of the company, in determining his independence for purposes of compensation committee service, the proposed commentary provides that the board should consider whether the affiliate relationship places the director under the direct or indirect control of the listed company or its senior management, or creates a direct relationship between the director and members of senior management, in each case of a nature that would impair his ability to make independent judgments about the listed company’s executive compensation.

EXHIBIT 5A**IM-26805-4**

Nothing in Rule 26805(c) shall be construed: (A) to require the Compensation Committee to implement or act consistently with the advice or recommendations of the compensation consultant, independent legal counsel or other adviser to the Compensation Committee; or (B) to affect the ability or obligation of the Compensation Committee to exercise its own judgment in fulfillment of the duties of the Compensation Committee.

IM-26805-5

The Compensation Committee is required to conduct the independence assessment outlined in Rule 26805(c)(4) with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Compensation Committee, other than: (i) inhouse legal counsel; and (ii) any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K: consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the listed company, and that is available generally to all salaried employees; or providing information that either is not customized for a particular company or that is customized based on parameters that are not developed by the compensation consultant, and about which the compensation consultant does not provide advice.

IM-26805-6

Nothing in Rule 26805 requires a compensation consultant, legal counsel or other compensation adviser to be independent, only that the Compensation Committee consider the enumerated independence factors before selecting or receiving advice from a compensation adviser. The Compensation Committee may select or receive advice from any compensation adviser they prefer including ones that are not independent, after considering the six independence factors outlined in Rule 26805(c)(4)(i)—(vi).

26806. Reserved**26807. Code of Conduct and Ethics**

Each company shall adopt a code of conduct and ethics, applicable to all directors, officers and employees, which also complies with the definition of a “code of ethics” as set forth in Item 406 of SEC Regulation S-K. The code of conduct and ethics must be publicly available.

IM-26807-1

While each company should determine the appropriate standards and guidelines for inclusion in its code of conduct and ethics, all codes of conduct and ethics must promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in periodic reports and documents required to be filed by the company; compliance with

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applicable Exchange and governmental rules and regulations; prompt internal reporting of violations of the code of conduct and ethics to an appropriate person or persons identified in the code of conduct and ethics; and accountability for adherence to the code of conduct and ethics. A company may adopt one or more codes of conduct and ethics such that all directors, officers and employees are subject to a code of conduct and ethics that satisfies the definition of a “code of ethics.” Any waivers of the code of conduct and ethics for directors or executive officers must be approved by the company’s board of directors and disclosed in an SEC Form 8-K within four business days after the occurrence of the event. If the event occurs on a Saturday, Sunday or holiday on which the Commission is not open for business, then the four business day period shall begin to run on, and include, the first business day thereafter.

26808. Reserved**26809. Effective Dates/Transition**

- (a) Companies that have listed or will be listed in conjunction with their initial public offering shall be afforded exemptions from all board composition requirements consistent with the exemptions afforded in Rule 10A-3 under the Securities Exchange Act of 1934. That is, for each applicable committee that the company establishes (i.e., nominating and/or compensation) the company shall have one independent member at the time of listing, a majority of independent members within 90 days of listing and all independent members within one year. Such companies will be required to meet the majority independent board requirement (or 50% independent in the case of a Smaller Reporting Company) within one year of listing. It should be noted however, that investment companies are not afforded these exemptions under Rule 10A-3 under the Securities Exchange Act of 1934. Companies emerging from bankruptcy or which have ceased to be controlled companies will be required to meet the majority independent board requirement (or 50% independent in the case of a Smaller Reporting Company) within one year. Companies may choose not to establish a compensation or nomination committee and may rely instead upon a majority of independent directors to discharge responsibilities under the Rule 26800 Series.
- (b) Companies transferring from other markets with a substantially similar requirement shall be afforded the balance of any grace period afforded by the other market. Companies transferring from other markets that do not have a substantially similar requirement shall be afforded one year from the date of listing, to the extent not inconsistent with Rule 10A-3 under the Securities Exchange Act of 1934.

26810. Written Affirmations

- (a) Each listed company CEO must certify to the Exchange each year that he or she is not aware of any violation by the listed company of Exchange corporate governance listing standards, qualifying the certification to the extent necessary. A blank copy of the CEO certification form required by this Rule 26810(a) will be included in the BSTX Listing Supplement.

Commentary: The CEO’s annual certification regarding the Exchange’s corporate

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governance listing standards will focus the CEO and senior management on the listed company's compliance with the listing standards.

- (b) Each listed company CEO must promptly notify the Exchange in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of this Rule 26800 Series.
- (c) Each listed company must submit an executed written affirmation of compliance with Rule 26800 Series of the BSTX Listing Standards annually to the Exchange. In addition, each listed company must promptly submit an interim written affirmation after becoming aware of any noncompliance with Rule 26800 Series of the BSTX Listing Standards or in the event of any change in the composition of its board of directors or the audit, compensation or nominating committees thereof. If the interim written affirmation relates to noncompliance with Rule 26800 Series of the BSTX Listing Standards and is being submitted to the Exchange to satisfy the notice requirement of Rule 26810(b), it must be signed by the company's CEO. Blank copies of the affirmation forms mentioned in this Rule 26810(c) will be included in the BSTX Listing Supplement.

26900 – Additional Matters**26901 – 26919. Reserved****26920. General Changes in Character of Business or Form or Nature of security tokens**

- (a) Change in form or nature of security tokens—A company is required to notify the Exchange, at least 20 days in advance, of any change in the form or nature of any listed security token or in the rights, benefits and privileges of the holders of such security token.
- (b) Change in general character of business—A company is required to notify the Exchange promptly (and confirm in writing) of any change in the general character or nature of its business. Obviously, such a change, if not previously made known to the public, would be a material development and a prompt public release would be required under the Exchange's timely disclosure policies (see Rules 26401-26405).

26921. Changes in Officers or Directors

A listed company is required to notify the Exchange promptly (and confirm in writing) of any changes of officers or directors.

26922. Disposition of Property or Stock

A listed company is required to notify the Exchange promptly in the event that it, or any company controlled by it, disposes of any property or any equity interest in any of its subsidiary or controlled companies, if such disposal will materially affect the financial position of the company or the nature or extent of its operations. As in the case of changes in character or nature of business, a material disposition would normally call for prompt public disclosure under the Exchange's timely disclosure policy. Where such disclosure has been made, the filing of three

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copies of the release containing the disclosure and the subsequent filing of Form 8-K, if required, will suffice to comply with Item 1b.

26923. Change in Collateral

A company is required to notify the Exchange promptly of any changes in, or removal of, collateral deposited under any mortgage or trust indenture under which security tokens of the company listed on the Exchange have been issued. This notice, if of material significance to investors, should also be reported through a public release under the Exchange's timely disclosure policy. If a change in collateral is not of sufficient materiality to call for a press release, such change should nevertheless be reported to the Exchange by letter which will be placed in a public file.

26924. Deposit of Security Tokens

A company is required to notify the Exchange promptly of any diminution in the supply of security tokens available for public trading occasioned by deposit of security tokens under voting trust or other deposit agreements. If knowledge of any actual or proposed deposits should come to the attention of any officer or director of the company, the Exchange should be notified immediately.

26925 – 26929. Reserved**26930. Change of Name**

A company proposing to change its name should:

- (a) Notify the Exchange of the record date and date of its shareholders' meeting at which the change in name will be considered, as soon as such dates have been established.
- (b) Furnish the Exchange with one copy of the meeting notice and five copies of the proxy-solicitation material at the time they are mailed to shareholders.
- (c) As soon as the change in name has been approved by shareholders, notify the Exchange of the time when the amendment to the charter will be filed and the change in name will become effective. Confirm this advice by letter.
- (d) Reserved
- (e) Notify the Exchange as soon as the amendment has actually been filed and confirm this advice by letter.

26931. Announcement of New Name

When the change in name becomes effective, the Exchange will notify its Participants of the new name and will advise them that, either on the date of its announcement or on the day after, transactions in the security tokens of the company will be recorded under its new name. If a substantial change in name is involved, a new ticker symbol may be designated for the company's security tokens.

26931 – 26939. Reserved

EXHIBIT 5A**26940. Change in Par Value**

A company that changes the par value of a security token issue listed on the Exchange, without an increase or decrease in the number of security tokens listed, is required to follow the procedures and file the papers specified below:

NOTE: If the change in par value affects the number of security tokens listed, an additional listing application is necessary.

- (a) File two preliminary copies of proxy soliciting material to be issued to shareholders in connection with the meeting to consider the charter amendment.
- (b) Furnish the Exchange with: (i) ten days' notice in advance of the taking of the record of shareholders entitled to notice of and to vote at the meeting; and (ii) six copies of all final printed notices, circulars or proxy statements issued to shareholders in connection with the meeting, at the time they are mailed to shareholders.
- (c) When changing the par value, an issuer must notify the Exchange: (i) in advance of the date when it is proposed to file the charter amendment with the Secretary of State, and (ii) immediately upon its filing.

26941-26969. Reserved**26970. Exchange Recommendation**

The Exchange may recommend to the management of a company, whose security token sells at a low price per security token for a substantial period of time, that it submit to its shareholders a proposal providing for a combination ("reverse split") of such security tokens.

26971-26989. Reserved**26990. Application of Requirements**

As indicated in Rule 26301, a company applying to list additional security tokens on BSTX is required to execute, if it has not already done so, the Exchange's most recent form of agreement with listed companies.

26991. Interpretation of Requirements

The Board of Directors of the Exchange is authorized by the Exchange Rules to make and amend rules, requirements and policies governing listed companies. The Board is also authorized to delegate the administration of such requirements to the president or other officers or employees of the Exchange or to such committees as the Board may authorize.

26992. Opinions

The Exchange will, in appropriate cases, render opinions concerning interpretations of the requirements set forth in the BSTX Listing Requirements to companies on request. Such opinions are carefully considered by the Exchange, and normally require at least two weeks to

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process. Letters requesting such opinions should fully set forth the facts and circumstances leading to the request.

26993. Review

If a company disagrees with an opinion rendered by the staff, the Exchange may, where the opinion covers a novel or unusual question, or relates to a matter not specifically covered in the BSTX Listing Requirements, regulations and policies of the Exchange, arrange for the question to be reviewed by a committee of Exchange officials. It normally takes approximately three weeks to process such a review. With the Exchange's consent, representatives of the company may appear at a meeting of the committee reviewing the matter.

26994. New Policies

Copies of new or revised rules, policies, or forms, are available on the Exchange's website.

27000 – Suspension and Delisting**27001. General**

In considering whether a security token warrants continued trading and/or listing on BSTX, many factors are taken into account, such as the degree of investor interest in the company, its prospects for growth, the reputation of its management, the degree of commercial acceptance of its products, and whether its securities have suitable characteristics for trading on BSTX. Thus, any developments which substantially reduce the size of a company, the nature and scope of its operations, the value or amount of its securities available for the market, or the number of holders of its securities, may occasion a review of continued listing by the Exchange. Moreover, events such as the sale, destruction, loss or abandonment of a substantial portion of its business, the inability to continue its business, steps towards liquidation, or repurchase or redemption of its securities, may also give rise to such a review.

27002. Policies with Respect to Continued Listing

The Rules of the Exchange provides that the Board of Directors may, in its discretion, at any time, and without notice, suspend dealings in, or may remove any security token from, listing.

The Exchange, as a matter of policy, will consider the suspension of trading in, or removal from listing of, any security token when, in the opinion of the Exchange:

- (a) the financial condition and/or operating results of the issuer appear to be unsatisfactory;
or
- (b) it appears that the extent of public distribution or the aggregate market value of the security token has become so reduced as to make further dealings on BSTX inadvisable;
or
- (c) the issuer has sold or otherwise disposed of its principal operating assets, or has ceased to

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- be an operating company; or
- (d) the issuer has failed to comply with its listing agreements with the Exchange; or
- (e) any other event shall occur or any condition shall exist which makes further dealings on BSTX unwarranted. (See Rule 26127)

27003. Application of Policies

The Exchange has adopted certain standards, outlined below, under which it will normally give consideration to suspending dealings in, or removing, a security token from listing. When an issuer falls below any of the continued listing standards, the Exchange will review the appropriateness of continued listing. The Exchange may give consideration to any action that an issuer proposes to take that would enable it to comply with the continued listing standards. The specific procedures and timelines regarding such proposals are set forth in Rule 27009. However, the standards set forth below in no way limit or restrict the Exchange in applying its policies regarding continued listing, and the Exchange may at any time, in view of the circumstances in each case, suspend dealings in, or remove, a security token from listing or unlisted trading when in its opinion such security token is unsuitable for continued trading on BSTX. Such action will be taken regardless of whether the issuer meets or fails to meet any or all of the standards discussed below.

- (a) Financial Condition and/or Operating Results—The Exchange will normally consider suspending dealings in, or removing from the list, security tokens of an issuer which:
 - (i) has security token holders' equity of less than \$2,000,000 if such issuer has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years; or
 - (ii) has security token holders' equity of less than \$4,000,000 if such issuer has sustained losses from continuing operations and/or net losses in three of its four most recent fiscal years; or
 - (iii) has security token holders' equity of less than \$6,000,000 if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years; or
 - (iv) has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether such issuer will be able to continue operations and/or meet its obligations as they mature.

However, the Exchange will not normally consider suspending dealings in, or removing from the list, the security tokens of an issuer which is below any of standards (i) through (iii) above if the issuer is in compliance with the following:

- (1) Total value of market capitalization* of at least \$50,000,000; or total assets and revenue of \$50,000,000 each in its last fiscal year, or in two of its last three fiscal years; and

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- (2) The issuer has at least 1,100,000 security tokens publicly held, a market value of publicly held security tokens of at least \$15,000,000 and 400 round lot security token holders.

Issuers falling below one of the above standards and considering a combination with an unlisted company should see Rule 26341 for the discussion of the Exchange's listing policies contained therein.

(b) Limited Distribution—Reduced Market Value—The Exchange will normally consider suspending dealings in, or removing from the list, a security token when any one or more of the following conditions exist:

(i) Equity security token:

(A) if the number of security tokens publicly held (exclusive of holdings of officers, directors, controlling shareholders or other family or concentrated holdings) is less than 200,000; or

(B) if the total number of public security token holders is less than 300; or

(C) if the aggregate market value of the security tokens publicly held is less than \$1,000,000 for more than 90 consecutive days.

(ii) security token warrants:

(A) if the number of security token warrants publicly held is less than 50,000;

(iii) preferred security tokens:

(A) if the number of security tokens publicly held is less than 50,000; or

(B) if the aggregate market value of security tokens publicly held is less than \$1,000,000;

(iv) Reserved

(v) Closed-End Funds:

(A) If the total market value of publicly held security tokens and net assets are each less than \$5,000,000 for more than 60 consecutive days; or

(B) It ceases to qualify as a closed-end fund under the Investment Company Act of 1940 (unless the resultant entity otherwise qualifies for listing).

(c) Disposal of Assets—Reduction of Operations—The Exchange will normally consider suspending dealings in, or removing from the list, security tokens of an issuer whenever any of the following events shall occur:

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- (i) If the issuer has sold or otherwise disposed of its principal operating assets or has ceased to be an operating company or has discontinued a substantial portion of its operations or business for any reason whatsoever, including, without limitation, such events as sale, lease, spin-off, distribution, foreclosure, discontinuance, abandonment, destruction, condemnation, seizure or expropriation. Where the issuer has substantially discontinued the business that it conducted at the time it was listed or admitted to trading, and has become engaged in ventures or promotions which have not developed to a commercial stage or the success of which is problematical, it shall not be considered an operating company for the purposes of continued trading and listing on BSTX.
 - (ii) If liquidation of the issuer has been authorized. However, where such liquidation has been authorized by shareholders and the issuer is committed to proceed, the Exchange will normally continue trading until substantial liquidating distributions have been made.
 - (iii) If advice has been received, deemed by the Exchange to be authoritative, that the security token is without value. In this connection, it should be noted that the Exchange does not pass judgment upon the value of any security token.
- (d) Failure to Comply with Listing Agreements and/or SEC Requirements—The security tokens of an issuer failing to comply with its listing or other agreements with the Exchange and/or SEC Requirements in any material respect (e.g., failure to distribute annual reports when due, failure to report interim earnings, failure to observe Exchange policies regarding timely disclosure of important corporate developments, failure to solicit proxies, issuance of additional security tokens of a listed class without prior listing thereof, failure to obtain shareholder approval of corporate action where required by Exchange policies, failure to provide requested information within a reasonable period of time or providing information that contains a material misrepresentation or omits material information necessary to make the communication to the Exchange not misleading, etc.) are subject to suspension from dealings and, unless prompt corrective action is taken, removal from listing.
- (e) Reserved
- (f) Other Events—The Exchange will normally consider suspending dealings in, or removing from the list, a security token when any one of the following events shall occur:
- (i) Registration No Longer Effective—If the registration (or exemption from registration thereof) pursuant to the Securities Exchange Act of 1934 is no longer effective.
 - (ii) Payment, Redemption or Retirement of Entire Class, Issue or Series—If the entire outstanding amount of a class, issue or series of security tokens is retired through payment at maturity or through redemption, reclassification or otherwise. In such event, the Exchange may, at a time which is appropriate under all the circumstances of the particular case, suspend dealings in the security token and, in the case of a listed security token, give notice to the SEC, on Form 25, of the Exchange’s intention to remove such security token

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from listing and registration as required by Rule 12d2-2(a) under the Securities Exchange Act of 1934.

- (iii) Operations Contrary to Public Interest—If the issuer or its management shall engage in operations which, in the opinion of the Exchange, are contrary to the public interest.
- (iv) Failure to Pay Listing Fees—If the issuer shall fail or refuse to pay, when due, any applicable listing fees established by the Exchange.
- (v) Low Selling Price Issues—In the case of an equity security token for a substantial period of time at a low price per security token, if the issuer shall fail to effect a reverse split of such security tokens within a reasonable time after being notified that the Exchange deems such action to be appropriate under all the circumstances. In its review of the question of whether it deems a reverse split of a given issue to be appropriate, the Exchange will consider all pertinent factors including, market conditions in general, the number of security tokens outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the issuer, the relationship to other Exchange policies regarding continued listing, and, in respect of securities of foreign issuers, the general practice in the country of origin of trading in low-selling price issues.

(g) Reserved

* Market capitalization for purposes of Rule 27003 includes the total Equity security token outstanding (excluding treasury security tokens) as well as any Equity security tokens that would be issued upon conversion of another outstanding security token, if such other security token is a “substantial equivalent” of Equity security tokens. Generally, the security token must be (1) publicly traded or quoted, or (2) convertible into a publicly traded or quoted security token. A convertible security token will be considered the “substantial equivalent” of Equity security tokens if the convertible security token is presently convertible, and the conversion price is equal to or less than the current market price of the Equity security token. For partnerships, the current capital structure will be analyzed to determine whether it is appropriate to include other publicly traded or quoted security tokens in the calculation.

27004. Prospective Application of Delisting Policies

The Exchange’s delisting policies will be applied prospectively to companies which originally qualified for listing pursuant to Rule 26101(b).

27005 - 27006. Reserved**27007. SEC Annual and Quarterly Report Timely Filing Criteria**

Occurrence of a Filing Delinquency

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For purposes of remaining listed on BSTX, a company will incur a late filing delinquency and be subject to the procedures set forth in this Rule 27007 on the date on which any of the following occurs:

- the company fails to file its annual report (Forms 10-K, 20-F, 40-F or N-CSR) or its quarterly report on Form 10-Q or semi-annual report on Form N-CSR (“Semi-Annual Form N-CSR”) with the SEC by the date such report was required to be filed by the applicable form, or if a Form 12b-25 was timely filed with the SEC, the extended filing due date for the annual report, Form 10-Q, or Semi-Annual Form NCSR for purposes of this Rule 21007, the later of these two dates, along with any Semi-Annual Report Filing Due Date as defined below, will be referred to as the “Filing Due Date” and the failure to file a report by the applicable Filing Due Date, a “Late Filing Delinquency”);
- the company files its annual report without a financial statement audit report from its independent auditor for any or all of the periods included in such annual report (a “Required Audit Report” and the absence of a Required Audit Report, a “Required Audit Report Delinquency”);
- the company’s independent auditor withdraws a Required Audit Report or the company files a Form 8-K with the SEC pursuant to Item 4.02(b) thereof disclosing that it has been notified by its independent auditor that a Required Audit Report or completed interim review should no longer be relied upon (a “Required Audit Report Withdrawal Delinquency”); or
- the company files a Form 8-K with the SEC pursuant to Item 4.02(a) thereof to disclose that previously issued financial statements should no longer be relied upon because of an error in such financial statements (a “Non-Reliance Disclosure”) and, in either case, the company does not refile all required corrected financial statements within 60 days of the issuance of the Non-Reliance Disclosure (an “Extended Non-Reliance Disclosure Event” and, together with a Late Filing Delinquency, a Required Audit Report Delinquency and a Required Audit Report Withdrawal Delinquency, a “Filing Delinquency”) (for purposes of the cure periods described below, an Extended Non-Reliance Disclosure Event will be deemed to have occurred on the date of original issuance of the Non-Reliance Disclosure); if the Exchange believes that a company is unlikely to refile all required corrected financial statements within 60 days after a Non-Reliance Disclosure or that the errors giving rise to such Non-Reliance Disclosure are particularly severe in nature, the Exchange may, in its sole discretion, determine earlier than 60 days that the applicable company has incurred a Filing Delinquency as a result of such Non-Reliance Disclosure.

The Exchange will also deem a company to have incurred a Filing Delinquency if the company submits an annual report, Form 10-Q, or Semi-Annual Form N-CSR to the SEC by the applicable Filing Due Date, but such filing fails to include an element required by the applicable SEC form and the Exchange determines in the Exchange’s sole discretion that such deficiency is material in nature.

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The annual report, Form 10-Q, Semi-Annual Form N-CSR or Semi-Annual Report that gives rise to a Filing Delinquency shall be referred to in this Rule 27007 as the “Delinquent Report.”

Subsequent Late Reports

A company that has an uncured Filing Delinquency will not incur an additional Filing Delinquency if it fails to file a subsequent annual report, Form 10-Q, Semi-Annual Form N-CSR or Semi-Annual Report (a “Subsequent Report”) by the applicable Filing Due Date for such Subsequent Report. However, in order for the company to cure its initial Filing Delinquency, no Subsequent Report may be delinquent or deficient on the date by which the initial Filing Delinquency is required to be cured.

Notification and Cure Periods

Upon the occurrence of a Filing Delinquency, the Exchange will promptly send written notification (the “Filing Delinquency Notification”) to a company of the procedures set forth below. Within five days of the date of the Filing Delinquency Notification, the company will be required to (a) contact the Exchange to discuss the status of the Delinquent Report and (b) issue a press release disclosing the occurrence of the Filing Delinquency, the reason for the Filing Delinquency and, if known, the anticipated date such Filing Delinquency will be cured via the filing or refiling of the applicable report, as the case may be. If the company has not issued the required press release within five days of the date of the Filing Delinquency Notification, the Exchange will issue a press release stating that the company has incurred a Filing Delinquency and providing a description thereof.

During the six-month period from the date of the Filing Delinquency (the “Initial Cure Period”), the Exchange will monitor the company and the status of the Delinquent Report and any Subsequent Reports, including through contact with the company, until the Filing Delinquency is cured. If the company fails to cure the Filing Delinquency within the Initial Cure Period, the Exchange may, in the Exchange’s sole discretion, allow the company’s security tokens to be traded for up to an additional six-month period (the “Additional Cure Period”) depending on the company’s specific circumstances. If the Exchange determines that an Additional Cure Period is not appropriate, suspension and delisting procedures will commence in accordance with the procedures set out in Rule 27010 hereof. A company is not eligible to follow the procedures outlined in Rule 27009 with respect to these criteria. Notwithstanding the foregoing, however, the Exchange may in its sole discretion decide (i) not to afford a company any Initial Cure Period or Additional Cure Period, as the case may be, at all or (ii) at any time during the Initial Cure Period or Additional Cure Period, to truncate the Initial Cure Period or Additional Cure Period, as the case may be, and immediately commence suspension and delisting procedures if the company is subject to delisting pursuant to any other provision of the company Guide, including if the Exchange believes, in the Exchange’s sole discretion, that continued listing and trading of a company’s security tokens on the Exchange is inadvisable or unwarranted in accordance with Rules 27001-27004 hereof. The Exchange may also commence suspension and delisting procedures without affording any cure period at all or at any time during the Initial Cure Period

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or Additional Cure Period if the Exchange believes, in the Exchange's sole discretion, that it is advisable to do so on the basis of an analysis of all relevant factors, including but not limited to:

- whether there are allegations of financial fraud or other illegality in relation to the company's financial reporting;
- the resignation or termination by the company of the company's independent auditor due to a disagreement;
- any extended delay in appointing a new independent auditor after a prior auditor's resignation or termination;
- the resignation of members of the company's audit committee or other directors;
- the resignation or termination of the company's chief executive officer, chief financial officer or other key senior executives;
- any evidence that it may be impossible for the company to cure its Filing Delinquency within the cure periods otherwise available under this rule; and
- any past history of late filings.

In determining whether an Additional Cure Period after the expiration of the Initial Cure Period is appropriate, the Exchange will consider the likelihood that the Delinquent Report and all Subsequent Reports can be filed or refiled, as applicable, during the Additional Cure Period, as well as the company's general financial status, based on information provided by a variety of sources, including the company, its audit committee, its outside auditors, the staff of the SEC and any other regulatory body. The Exchange strongly encourages companies to provide ongoing disclosure on the status of the Delinquent Report and any Subsequent Reports to the market through press releases, and will also take the frequency and detail of such information into account in determining whether an Additional Cure Period is appropriate. If the Exchange determines that an Additional Cure Period is appropriate and the company fails to file the Delinquent Report and all Subsequent Reports by the end of such Additional Cure Period, suspension and delisting procedures will commence immediately in accordance with the procedures set out in Rule 27010. In no event will the Exchange continue to trade a company's security tokens if that company (i) has failed to cure its Filing Delinquency or (ii) is not current with all Subsequent Reports, on the date that is twelve months after the company's initial Filing Delinquency.

27008. Reserved**27009. Continued Listing Evaluation and Follow-up**

(a) The following procedures shall be applied by the Exchange to companies identified as being below the Exchange's continued listing policies and standards. Notwithstanding such procedures, when necessary or appropriate:

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- (i) the Exchange may issue a Warning Letter to a company with respect to a minor violation of the Exchange's corporate governance or shareholder protection requirements (other than violations of the requirements pursuant to Rule 10A-3 under the Securities Exchange Act of 1934); or
- (ii) for the protection of investors, the Exchange may immediately suspend trading in any security token, and make application to the SEC to delist the security token and/or the Exchange may truncate the procedures specified in this Rule.

(b) Once the Exchange identifies, through internal reviews or notice (a press release, news story, company communication, etc.), a company as being below the continued listing criteria set forth in Rules 27001 through 27004 (and not able to otherwise qualify under an initial listing standard), the Exchange will notify the company by letter (a "Deficiency Letter") of its status within 10 business days. The Deficiency Letter will also provide the company with an opportunity to provide the Exchange with a plan (the "Plan") advising the Exchange of action the company has taken, or will take, that would bring it into compliance with the continued listing standards within 18 months of receipt of the Deficiency Letter. However, the Exchange may establish a time period of less than 18 months for a company to regain compliance with some or all of the continued listing standards if it determines that the nature and circumstances of the company's particular continued listing status warrant such shorter period of time (see IM-27009-1). Within four business days after receipt of the Deficiency Letter, the company must contact the Exchange to confirm receipt of the notification, discuss any possible financial data of which the Exchange may be unaware, and indicate whether or not it plans to present a Plan; otherwise, delisting proceedings will commence.

(c) The company has 30 days from the receipt of the Deficiency Letter to submit its Plan to the Exchange for review. However, the Exchange may require submission of a company's Plan within less than 30 days (but in no event less than seven days) if the Exchange has established a time period of 90 days or less for the company to regain compliance with some or all of the continued listing standards pursuant to paragraph (b) of this Rule. If it does not submit a Plan within the specified time period, delisting procedures will commence. The Plan must include specific milestones, quarterly financial projections, and details related to any strategic initiatives the company plans to complete. The Exchange will evaluate the Plan, including any additional documentation that supports the Plan, and make a determination as to whether the company has made reasonable demonstration in the Plan of an ability to regain compliance with the continued listing standards within the time period described in paragraph (b) of this Rule. The Exchange will make such determination within 45 days of receipt of the proposed Plan (or such shorter period of time as is consistent with the time period established by the Exchange for the company to regain compliance pursuant to paragraph (b) of this Rule), and will promptly notify the company of its determination in writing.

(d) If the Exchange does not accept the Plan, the Exchange will promptly initiate delisting proceedings. The company may appeal the Exchange's determination not to accept the Plan, and request a review thereof, in accordance with Rule 27010 and Rule 27200 Series.

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(e) If the Exchange accepts the Plan, the company must make a public announcement through the news media, within four business days from receipt of the notification thereof, disclosing that the Exchange has accepted the Plan, that the company's listing is being continued pursuant to an exception, and the term of the extension (the "Plan Period"). The Exchange will review the company on a quarterly basis for compliance with the Plan. If the company does not show progress consistent with the Plan, the Exchange will review the circumstances and variance, and determine whether such variance warrants the commencement of delisting procedures. Should the Exchange determine to proceed with delisting proceedings, it may do so regardless of the company's continued listing status at that time.

(f) If, prior to the end of the Plan Period, the company is able to demonstrate compliance with the continued listing standards (or that it is able to qualify under an original listing standard) for a period of two consecutive quarters, the Exchange will deem the Plan Period over. If the company does not meet continued listing standards at the end of the Plan Period, the Exchange will promptly initiate delisting procedures.

(g) The company may appeal an Exchange determination, pursuant to paragraph (e) or (f), to initiate delisting proceedings, and request a review thereof, in accordance with Rule 27010 and Part 12.

(h) If the company, within 12 months of the end of the Plan Period (including any early termination of the Plan Period under the procedures described in paragraph (g)), is again determined to be below continued listing standards, the Exchange will examine the relationship between the two incidents of falling below continued listing standards and re-evaluate the company's method of financial recovery from the first incident. It will then take appropriate action, which, depending upon the circumstances, may include truncating the procedures described above or immediately initiating delisting proceedings.

(i) Reserved

(j) An issuer that receives a Warning Letter pursuant to paragraph (a)(i) of this Rule and/or a Deficiency Letter pursuant to paragraph (b) of this Rule that it is below the continued listing criteria shall make a public announcement through the news media that it has received such Warning Letter and/or Deficiency Letter, and must include the specific policies and standards upon which the determination is based. Prior to the release of the public announcement, the issuer shall provide such announcement to the Exchange. The public announcement shall be made as promptly as possible, but not more than four business days following receipt of the Warning Letter or Deficiency Letter, as applicable.

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In determining whether to establish a time period of less than 18 months for a company to regain compliance with some or all of the continued listing standards, pursuant to paragraph (b), the Exchange will consider whether, in view of the nature and severity of the particular continued listing deficiency, including the investor protections concerns raised, 18 months would be an

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inappropriately long period of time to regain compliance. While it is not possible to enumerate all possible circumstances, the following is a non-exclusive list of the types of continued listing deficiencies that, based on the a particular listed company's unique situation, may result in imposition of a shorter time period: delinquencies with respect to SEC filing obligations, severe short-term liquidity and/or financial impairment, present or potential public interest concerns;¹ deficiencies with respect to the requisite distribution requirements that make the security token unsuitable for trading on BSTX.

¹ Public interest concerns could include, for example, situations where the company, a corporate officer or affiliate is the subject of a criminal or regulatory investigation or action; or the company's auditors have resigned and withdrawn their most recent audit opinion raising concerns regarding the internal controls and financial reporting process. However, other situations not specifically enumerated could also raise public interest concerns regarding the appropriateness of a particular company's continued listing.

27010. Procedures for Delisting and Removal

(a) The action required to be taken by the Exchange to strike a class of security tokens from listing and registration following certain corporate actions (as specified in Rule 12d2-2(a) promulgated under the Securities Exchange Act of 1934), such as where the entire security token class is matured, redeemed, retired or extinguished by operation of law is set forth in Rule 12d2-2(a) promulgated under the Securities Exchange Act.

(b) Whenever the Exchange determines, in accordance with Rule 27009 or otherwise, that a class of security tokens should be removed from listing for reasons other than the reasons specified in paragraph (a), it will follow the procedures contained in Part 12.

(c) Whenever the Exchange is authorized to file an application with the Securities and Exchange Commission on Form 25 to strike a class of security tokens from listing and registration for reasons other than certain corporate actions (as specified in Rule 12d2-2(a) promulgated under the Securities Exchange Act of 1934), the following procedures are applicable:

- (i) The Exchange will file an application with the Securities and Exchange Commission on Form 25, with a statement attached that sets forth the specific grounds on which the delisting is based, in accordance with Sections 19(d) and 6(d) of the Exchange Act, and will promptly deliver a copy of such form and attached statement to the issuer of the class of security tokens which is subject to delisting and deregistration. The Form 25 will be filed at least ten days prior to the date the delisting is anticipated to be effective.
- (ii) The Exchange will provide public notice of its final determination to strike the class of security tokens from listing by issuing a press release and posting notice on the Exchange's Web site at least ten days prior to the date that the delisting is anticipated to be effective. The posting will remain on the Exchange's Web site until the delisting is effective.

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(iii) The issuer of the class of security tokens which is subject to delisting must comply with all applicable reporting and disclosure obligations including, but not limited to, obligations mandated by the Exchange, state laws in effect in the state in which the issuer is incorporated, and the federal securities laws.

(d) An issuer may voluntarily withdraw its security tokens from listing and registration with the Exchange as permitted by and in accordance with Exchange Rule 18 and Rule 12d2-2 under the Securities Exchange Act of 1934.

(e) As required by Rule 12d2-2 under the Securities Exchange Act of 1934, upon receiving written notice from an issuer that such issuer has determined to withdraw a class of security tokens from listing on BSTX pursuant to paragraph (d), the Exchange will provide notice on its Web site of the issuer's intent to delist its security tokens beginning on the business day following such notice, which will remain posted on the Exchange's Web site until the delisting on Form 25 is effective.

27100 – Guide to Filing Requirements

27101. General

An issuer having a security token listed on BSTX is required to file with the Exchange three (3) copies of all reports and other documents filed or required to be filed with the SEC. Listed issuers must comply with applicable SEC requirements with respect to the filing of reports and other documents through the SEC's Electronic Data Gathering Analysis and Retrieval ("EDGAR") system, and an issuer which submits such reports through EDGAR (as well as any reports which are permitted but not required to be submitted through EDGAR) will be deemed to have satisfied its filing requirement to the Exchange. A company that is not required to file reports with the SEC shall file with the Exchange three (3) copies of reports required to be filed with the appropriate regulatory authority. All required reports shall be filed with the Exchange on or before the date they are required to be filed with the SEC or appropriate regulatory authority.

The Exchange also requires that certain other submissions be made and notice be given to the Exchange on a timely basis, including but not limited to materials related to corporate actions (such as record dates and dividend and shareholder meeting notifications), additional listing applications and supporting materials, notices of changes in officers and directors, changes in the form or nature of securities or the general character of the business and all materials sent to shareholders or released to the press. Companies having a security tokens listed on BSTX are urged to consult the Exchange or appropriate BSTX Listing Requirement provisions in this regard. In particular, see Rule 27007 (SEC Annual and Quarterly Report Timely Filing Criteria).

27200 Procedures for Review of Exchange Listing Determinations

27201. Purpose and General Provisions

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(a) The purpose of the Rule 27200 Series is to provide procedures for the independent review of determinations that prohibit or limit the continued listing of an issuer's security tokens on BSTX based upon the Suspension and Delisting Policies set forth in the Rule 21000 Series (Rule 27001-27009).

(b) At each level of a proceeding under this Rule 27200 Series, a Listing Qualifications Panel (as defined in Rule 27204 below), the Hearing Committee (as defined in Rule 27205 below) or the Exchange Board of Directors, as part of its respective review, may request additional information from the issuer. The issuer will be afforded an opportunity to address the significance of the information requested.

(c) At each level of a proceeding under this Rule 27200 Series, a Listing Qualifications Panel, the Hearing Committee or the Exchange Board of Directors, as part of its respective review, may also consider the issuer's stock or security token price or any information that the issuer releases to the public, including any additional quantitative deficiencies or qualitative considerations reflected in the released information.

(d) At each level of a proceeding under the Rule 27200 Series, a Listing Qualifications Panel, the Hearing Committee, or the Exchange Board of Directors, as part of its respective review, may consider any failure to meet any quantitative standard or qualitative consideration set forth in the Rule 27000 Series, including failures previously not considered in the proceeding. The issuer will be afforded notice of such consideration and an opportunity to respond.

(c) Although the Exchange has adopted certain standards under which it will normally give consideration to suspending dealings in, or removing, a security token from listing, these standards in no way limit or restrict the Exchange in applying its policies regarding continued listing, and the Exchange may at any time, in view of the circumstances of each case, suspend dealings in, or file an application with the Securities and Exchange Commission on Form 25 to strike the class of security tokens from listing when in its opinion such security token is unsuitable for continued trading on BSTX. Such action will be taken in accordance with Rule 27010 regardless of whether the issuer meets or fails to meet any or all of the continued listing standards.

27202. Written Notice of Exchange Determination

(a) If the Exchange reaches a determination to limit or prohibit the continued listing of an issuer's security tokens, it will notify the issuer in writing, describe the specific grounds for the determination, identify the quantitative standard(s) or qualitative consideration(s) set forth in Part 10 that the issuer has failed to satisfy, and provide notice that upon request the issuer will be provided an opportunity for a hearing under the procedures set forth in this Rule 27200 Series (the "Exchange Determination").

(b) An issuer that receives a Exchange Determination to prohibit the continued listing of the issuer's security tokens under Rule 27202(a) shall make a public announcement through the news media, or other similar means, that it has received such notice, including the specific policies and standards upon which the determination was based. Prior to the release of the public

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announcement, the issuer shall provide such announcement to the Exchange. The public announcement shall be made as promptly as possible, but not more than four business days following receipt of the Exchange Determination.

(c) The issuer may file a written submission with the Exchange stating the specific grounds for the issuer's contention that the Exchange Determination was in error and/or requesting an extension of time to comply with the continued listing standards as permitted by Rule 27009. The issuer may also submit any documents or other written material in support of its request for review, including any information not available at the time of the Exchange Determination.

27203. Request for Hearing

(a) An issuer may, within seven calendar days of the date of the Exchange Determination, request either a written or oral hearing to review the Exchange Determination. Requests for hearings should be filed in writing with the Exchange. An issuer must submit a hearing fee to the Exchange, to cover the cost of holding the hearing, as follows: (1) where consideration is on the basis of a written submission from the issuer, \$8,000 or (2) where consideration is on the basis of an oral hearing, whether in person or by telephone, \$10,000. No payment will be credited and applied towards the applicable hearing fee unless the issuer has previously paid all applicable listing fees due to the Exchange. The issuer will be deemed to have waived the opportunity to request a hearing, and a hearing will not be scheduled, unless the applicant has submitted such hearing fee and any unpaid listing fees due to the Exchange, in the form and manner prescribed by the Exchange, no later than seven calendar days of the date of the Exchange Determination. All hearings will be held before a Listing Qualifications Panel as described in Rule 27204. All hearings will be scheduled on a date and time determined by the Exchange, to the extent practicable, within 45 days of the date that the request for hearing is filed, at a location determined by the Exchange. The Exchange will make an acknowledgment of the issuer's hearing request stating the date, time, and location of the hearing, and the deadline for written submissions to the Listing Qualifications Panel. The issuer will be provided at least 10 calendar days notice of the hearing unless the issuer waives such notice.

(b) A request for a hearing will ordinarily stay a delisting action pursuant to an Exchange Determination to prohibit the continued listing of an issuer's security tokens in accordance with Rule 27204(d), but the Exchange may immediately suspend trading in any security token or security tokens pending review should it determine that such immediate suspension is necessary or appropriate in the public interest, for the protection of investors, or to promote just and equitable principles of trade. If the issuer does not request a review and pay the requisite fee, within the time period specified in paragraph (a) of this Section, the Exchange shall suspend trading in the security token or security tokens when such time period has elapsed and the Exchange staff shall file an application with the Securities and Exchange Commission on Form 25 to strike the class of security tokens from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

27204. The Listing Qualifications Panel

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(a) All hearings will be conducted before a Listing Qualifications Panel (“Panel”) comprised of at least two members of the Hearing Committee. No person shall serve as a Panel member for a matter if his or her interest or the interests of any person in whom he or she is directly or indirectly interested will be substantially affected by the outcome of the matter. In the event of a tie vote among the panel members, the matter will be forwarded to the full Hearing Committee for review pursuant to Rule 27205.

(b) Prior to the hearing, the Panel will review the written record, as defined in Rule 27207. At the hearing, the issuer may make such presentation as it deems appropriate, including the appearance by its officers, directors, accountants, counsel, investment bankers, or other persons. Hearings are generally scheduled for thirty minutes, but may be extended at the discretion of the Panel. The Panel may question any representative of the issuer appearing at the hearing. A transcript of oral hearings will be kept. The record of proceedings before the Panel will be kept by the Exchange’s Legal Department.

(c) After the hearing, the Panel will issue a written decision (the “Panel Decision”) describing the specific grounds for its determination and identifying any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the issuer has failed to satisfy, including, if applicable, the basis for its determination that the issuer’s security tokens should continue to be listed as permitted by Rule 27009 or that the Exchange Determination was in error. The Panel Decision will be promptly provided to the issuer and is effective immediately unless it specifies to the contrary, or as provided in paragraph (d) of this Section. The Panel Decision will provide notice that the issuer may request review of the Panel Decision by the Hearing Committee within 15 calendar days of the date of the Panel Decision and that any such Hearing Committee Decision may be called for review by the Exchange Board of Directors not later than the next Exchange Board meeting that is 15 calendar days or more following the date of the Hearing Committee Decision pursuant to Rule 27206.

(d) If the Panel Decision provides that the issuer’s security token or tokens should be delisted, the Exchange will suspend trading in such security tokens as soon as practicable and initiate the delisting process in accordance with Rule 27010.

27205. Review By the Exchange Hearing Committee

(a) The Hearing Committee is defined in Section 6.08 of the Exchange’s by-laws.

(b) The issuer may initiate the Hearing Committee’s review of any Panel Decision by making a written request within 15 calendar days of the date of the decision. Requests for review should be addressed to the Hearing Committee in care of the Exchange’s Legal Department. If the issuer requests review of the Panel Decision, the issuer must submit a fee of \$10,000 to the Exchange to cover the cost of the review by the Hearing Committee. No payment will be credited and applied towards the applicable hearing fee unless the issuer has previously paid all applicable listing fees due to the Exchange. The issuer will be deemed to have waived the opportunity for review, and a review will not be commenced, unless the issuer has submitted the hearing fee and any unpaid listing fees due to the Exchange, in the form and manner prescribed by the Exchange, within 15 calendar days of the date of the Panel Decision.

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Upon receipt of the request for review, the Exchange's Legal Department will make an acknowledgment of the issuer's request stating the deadline for the issuer to provide any written submissions.

(c) The Hearing Committee may authorize the continued listing of the issuer's security tokens if it determines that such security tokens should continue to be listed as permitted by Rule 27009 or the Panel Decision was in error.

(d) The Hearing Committee will consider the written record and, in its discretion, hold additional hearings. Any hearing will be scheduled, to the extent practicable, within 45 days of the date that a request for review initiated by the issuer is made. The Hearing Committee may also recommend that the Exchange Board of Directors consider the matter. The record of proceedings before the Hearing Committee will be kept by the Exchange's Legal Department.

(e) The Hearing Committee will issue a written decision (the "Hearing Committee Decision") that affirms, modifies, or reverses the Panel Decision or that refers the matter to the Exchange staff or to the Panel for further consideration. The Hearing Committee will describe the specific grounds for the decision, identify any quantitative standard or qualitative consideration set forth in Part 10 that the applicant has failed to satisfy, including, if applicable, the basis for its determination that the issuer's securities should continue to be listed as permitted by Rule 27009 or the Panel Decision was in error, and provide notice that the Exchange Board of Directors may call the Hearing Committee Decision for review at any time before its next meeting that is at least 15 calendar days following the issuance of the Hearing Committee Decision. The Hearing Committee Decision will be promptly provided to the issuer and will take immediate effect unless it specifies to the contrary, or as provided in Rule 27205(f).

(f) If the Hearing Committee Decision reverses the Panel Decision and provides that the issuer's security token or tokens should not be delisted, and such security token or tokens have been suspended pursuant to Rule 27204(d), such suspension shall continue until either the Hearing Committee Decision represents final action of the Exchange as specified in Rule 27206(d) or in accordance with a discretionary review by the Exchange Board of Directors pursuant to Rule 27206.

(g) If the issuer does not request a review, and pay the requisite fee, within the time period specified in paragraph (b) of this Rule, by the Hearing Committee of a Panel Decision which provided that the issuer's security token(s) should be delisted, when such time period has elapsed, the Exchange will suspend trading in such security token(s), if it has not already done so pursuant to Rule 27204(d), and file an application with the Securities and Exchange Commission on Form 25 to strike the class of security tokens from listing and registration in accordance with the Rule 27200 Series of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

27206. Discretionary Review by Board of Directors

(a) A Hearing Committee Decision may be called for review by the Exchange Board of Directors solely upon the request of one or more Directors not later than the next Exchange Board of

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Directors meeting that is 15 calendar days or more following the date of the Hearing Committee Decision. Such review will be undertaken solely at the discretion of the Exchange Board of Directors. The institution of discretionary review by the Exchange Board of Directors will not operate as a stay of the Hearing Committee Decision. At the sole discretion of the Exchange Board of Directors, the call for review of a Hearing Committee Decision may be withdrawn at any time prior to the issuance of a decision.

(b) If the Exchange Board of Directors conducts a discretionary review, the review generally will be based on the written record considered by the Hearing Committee. The Exchange Board of Directors will be provided with the documents in the Record on Review as specified in Rule 27207, except for the issuer's public filings and information released to the public by the issuer, which will be available on request from the Exchange's Legal Department. However, the Exchange Board of Directors may, at its discretion, request and consider additional information from the issuer and/or from the Exchange staff. Should the Exchange Board of Directors consider additional information, the record of proceedings before the Exchange Board of Directors will be kept by the Exchange's Legal Department.

(c) The Exchange Board of Directors may authorize the applicant's security tokens for continued listing if it determines that the issuer's security tokens should continue to be listed as permitted by Rule 27009 or the Hearing Committee Decision was in error.

(d) If the Exchange Board of Directors conducts a discretionary review, the issuer will be provided with a written decision describing the specific grounds for its decision, and identifying any quantitative standard or qualitative consideration set forth in the Rule 27000 Series that the issuer has failed to satisfy, including, if applicable, the basis for its determination that the issuer's security tokens should continue to be listed as permitted by Rule 27009 or that the Hearing Committee Decision was in error. The Board may affirm, modify or reverse the Hearing Committee Decision and may remand the matter to the Hearing Committee for Panel or Exchange staff with appropriate instructions. The decision represents the final action of the Exchange and will take immediate effect unless it specifies to the contrary. If the Board Decision provides that the issuer's security token(s) should be delisted, the Exchange will suspend trading in such security token(s) on BSTX as soon as practicable, if it has not already done so pursuant to Rule 27204(d), and the Exchange staff will file an application with the Securities and Exchange Commission on Form 25 to strike the class of security tokens from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

(e) If the Exchange Board of Directors declines to conduct a discretionary review or withdraws its call for review, the issuer will be promptly provided with written notice that the Hearing Committee Decision represents the final action of the Exchange. If the Hearing Committee Decision provides that the issuer's security token or tokens should be delisted, upon the expiration of the time period specified in paragraph (a) of this Section, or upon the Exchange Board of Directors' determination to withdraw a call for review, the Exchange will suspend trading in such security token or tokens as soon as practicable, if it has not already done so pursuant to Rule 27204(d), and the Exchange staff will file an application with the Securities and

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Exchange Commission on Form 25 to strike the class of security tokens from listing and registration in accordance with Section 12 of the Securities Exchange Act of 1934 and the rules promulgated thereunder and in accordance with Rule 27010.

(f) Any issuer aggrieved by a final action of the Exchange may make application for review to the Commission in accordance with Section 19 of the Securities Exchange Act of 1934.

27207. Record on Review

(a) Documents in the written record may consist of the following items, as applicable: correspondence between the Exchange and the issuer, the issuer's public filings, information released to the public by the issuer, and any written submissions or exhibits submitted by either the issuer, or the Exchange's listing department, including any written request for listing approval pursuant to Rule 27203(c) or continued listing pursuant to Rule 27009 and any response thereto. Any additional information requested from the issuer by the Panel, the Exchange Board of Directors as part of the review process will be included in the written record. The written record will be supplemented by the transcript of any oral hearings held during the review process and each decision issued. At each level of review under this Rule 27200 Series, the issuer will be provided with a list of documents in the written record, and a copy of any documents included in the record that are not in the issuer's possession or control, at least three calendar days in advance of the deadline for the issuer's submissions, unless the applicant waives such production.

(b) In addition to the documents described in paragraph (a) above, if the issuer's security token price or any information that the issuer releases to the public is considered as permitted in Rule 27201(c), that information, and any written submission addressing the significance of that information, will be made part of the record.

(c) If additional issues arising under the Rule 26100 Series or the Rule 27000 Series are considered, as permitted in Rule 27201, the notice of such consideration and any response to such notice will be made a part of the record.

27208. Document Retention Procedures

Any document submitted to the Exchange in connection with a Rule 27200 Series proceeding that is not made part of the record will be retained by the Exchange until the date upon which the Rule 27200 Series proceeding decision becomes final including, if applicable, upon conclusion of any review by the Commission or a federal court.

27209. Delivery of Documents

Delivery of any document under this Rule 27200 Series by an issuer or by the Exchange may be made by hand delivery or overnight courier to the designated address, or by facsimile to the designated facsimile number and regular mail to the designated address. Delivery will be considered timely if delivered by hand or overnight courier prior to the relevant deadline or upon being faxed and sent by regular mail service prior to the relevant deadline. If an issuer has not specified a facsimile number or address, delivery will be made to the last known facsimile

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number and address. If an issuer is represented by counsel or a representative, delivery will be made to the counsel or representative.

27210. Computation of Time

In computing any period of time under this Rule 27200 Series, the day of the act, event, or default from which the period of time begins to run is not to be included. The last day of the period so computed is included, unless it is a Saturday, Sunday, federal holiday, or Exchange holiday in which event the period runs until the end of the next day that is not a Saturday, Sunday, federal holiday or Exchange holiday.

27211. Prohibited Communications

(a) Unless on notice and opportunity for the appropriate Exchange staff and the issuer to participate, a representative of the Exchange involved in reaching an Exchange Determination, or an issuer, counsel to or representative of an issuer, shall not make or knowingly cause to be made a communication relevant to the merits of a proceeding under this Rule 27200 Series (a “Prohibited Communication”) to any member of the Panel, Hearing Committee or to any Director of the Exchange Board of Directors, who is participating in or advising in the decision in that proceeding, or to any Exchange employee who is participating or advising in the decision of these individuals.

(b) Panel, Hearing Committee members, Board of Directors and Exchange employees who are participating in or advising in the decision in a proceeding under this Rule 27200 Series, shall not make or knowingly cause to be made a Prohibited Communication to an issuer, counsel to or representative of an issuer, or a representative of the Exchange involved in reaching an Exchange Determination.

(c) If a Prohibited Communication is made, received, or caused to be made, the Exchange will place a copy of it, or its substance if it is an oral communication, in the record of the proceeding. The Exchange will permit Exchange staff or the issuer, as applicable, to respond to the Prohibited Communication, and will place any response in the record of the proceeding.

(d) If the issuer submits a proposal to resolve matters at issue in a Rule 27200 Series proceeding, that submission will constitute a waiver of any claim that the Exchange communications relating to the proposal were Prohibited Communications.

28000 – DUES, FEES ASSESSMENTS, AND OTHER CHARGES**28000. Authority to Prescribe Dues, Fees, Assessments and Other Charges**

- (a) *Generally.* Consistent with Exchange Rule 2080, the Exchange may prescribe such reasonable dues, fees, assessments or other charges as it may, in its discretion, deem appropriate. Such dues, fees, assessments and charges may include membership dues, transaction fees, communication and technology fees, regulatory charges, listing fees, and other fees and charges as the Exchange may determine. All such dues, fees and charges shall be equitably allocated among BSTX Participants, issuers and other persons using the Exchange’s facilities.

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- (b) *Regulatory Transaction Fee.* Under Section 31 of the Act, the Exchange must pay certain fees to the Commission. To help fund the Exchange's obligations to the Commission under Section 31, this Regulatory Transaction Fee is assessed to BSTX Participants. To the extent there may be any excess monies collected under this Rule, the Exchange may retain those monies to help fund its general operating expense. Each BSTX Participant engaged in executing transactions on the Exchange shall pay, in such manner and at such times as the Exchange shall direct, a Regulatory Transaction Fee equal to (i) the rate determined by the Commission to be applicable to covered sales occurring on the Exchange in accordance with Section 31 of the Act multiplied by (ii) the BSTX Participant's aggregate dollar amount of covered sales occurring on the Exchange during any computational period.
- (c) *Schedule of Fees.* The Exchange will provide BSTX Participants with notice of all relevant dues, fees, assessments and charges of the Exchange. Such notice may be made available to BSTX Participants on the Exchange's website or by any other method deemed reasonable by the Exchange.

28010. Regulatory Revenues

Any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the stockholder, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities), or, as the case may be, shall be used to pay restitution and disgorgement of funds intended for customers (except in the event of liquidation of the Exchange).

EXHIBIT 5B**BOX Exchange LLC**

* * * * *

100 Definitions

(a) With respect to these Rules, the following terms shall have the meanings specified in this Rule 100. A term defined elsewhere in these Rules shall have the same meaning with respect to this Rule 100 Series, unless otherwise defined below.

(1) The term “**Affiliate**” means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise with respect to such Person. A Person is presumed to control any other Person, if that Person: (i) is a director, general partner, or officer exercising executive responsibility (or having similar status or performing similar functions); (ii) directly or indirectly has the right to vote 25 percent or more of a class of voting security or has the power to sell or direct the sale of 25 percent or more of a class of voting securities of the Person; or (iii) in the case of a partnership, has contributed, or has the right to receive upon dissolution, 25 percent or more of the capital of the partnership.

(2) The term “**aggregate exercise price**” means the exercise price of an options contract multiplied by the number of units of the underlying security covered by the options contract.

(3) The term “**American-style option**” means an options contract that, subject to the provisions of Rule 9000 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised at any time from its commencement time until its expiration.

(4) The term “**Approved Clearance and Settlement Provider**” means: (i) a registered clearing agency or clearing agency exempt from registration pursuant to Section 17A of the Exchange Act; (ii) a registered transfer agent registered pursuant to Section 17A of the Exchange Act; (iii) a bank, as defined in Section 3(a)(6) of the Exchange Act; (iv) or other entity, in the Exchange’s discretion, approved by the SEC as a satisfactory control location for purposes of Rule 15c3-3 of the Exchange Act.

[(4)] (5) The term “**associated person**” or “**person associated with a Participant**” means any partner, officer, director, or branch manager of such Participant (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Participant or any employee of such Participant, except that any person associated with a Participant whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.

- [(5)] (6) The term **“bid”** means a limit order to buy one or more options contracts.
- [(6)] (7) The term **“Board”** means the Board of Directors of BOX Exchange LLC.
- [(7)] (8) The term **“BOX”** means BOX Options Market LLC, an options trading facility of the Exchange under 3(a)(2) of the Exchange Act.
- [(8)] (9) The term **“BOX Transaction”** means a transaction involving an options contract that is effected on or through BOX or its facilities or systems.
- [(9)] (10) The term **“call”** means an options contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the number of shares of the underlying security covered by the options contract.
- [(10)] (11) The term **“Central Order Book”** or **“BOX Book”** means the electronic book of orders on each single option series maintained by the BOX Trading Host.
- [(11)] (12) The term **“class of options”** means all options contracts of the same type and style covering the same underlying security.
- [(12)] (13) The term **“Clearing Corporation”** or **“OCC”** means The Options Clearing Corporation.
- [(13)] (14) The term **“Clearing Participant”** means an Options Participant that is self-clearing or an Options Participant that clears BOX Transactions for other Options Participants of BOX.
- [(14)] (15) The term **“closing purchase transaction”** means a BOX Transaction that reduces or eliminates a short position in an options contract.
- [(15)] (16) The term **“closing writing transaction”** means a BOX Transaction that reduces or eliminates a long position in an options contract.
- [(16)] (17) The term **“covered short position”** means (i) an options position where the obligation of the writer of a call option is secured by a "specific deposit" or an "escrow deposit" meeting the conditions of Rules 610(f) or 610(g), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) an options position where the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.
- [(17)] (18) The term **“Customer”** means either a Public Customer or a broker-dealer.
- [(18)] (19) The term **“Customer Order”** means an agency order for the account of either a Public Customer, as defined herein, or a broker-dealer.

[(19)] (20) The term “**Directed Order**” means any Customer Order to buy or sell contracts on a single option series which has been directed to a particular Market Maker by an OFP.

[(20)] (21) The term “**discretion**” means the authority of a broker or dealer to determine for a Customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

[(21)] (22) The term “**European-style option**” means an options contract that, subject to the provisions of Rule 9000 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

[(22)] (23) The term “**Exchange**” means BOX Exchange LLC.

[(23)] (24) The term “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, or Rules thereunder.

[(24)] (25) The term “**Exchange Official**” means an officer of the Exchange, vested by the Board with certain authority to supervise options trading on BOX.

[(25)] (26) The term “**exercise price**” means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.

[(26)] (27) The term “**Floor Participant**” means Floor Brokers as defined in Rule 7540 and Floor Market Makers as defined in Rule 8510(b).

[(27)] (28) The terms “**he,**” “**him**” or “**his**” shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

[(28)] (29) The term “**index option**” means, as the context requires, either an options contract that is an option on an index of equity securities prices or a contract on a tradable instrument which tracks such prices.

[(29)] (30) The term “**individual equity option**” means an options contract which is an option on an equity security.

[(30)] (31) The term “**long position**” means a person's interest as the holder of one or more options contracts.

[(31)] (32) The term “**Market Maker**” means an Options Participant registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in the Rule 8000 Series. All Market Makers are designated as specialists on the Exchange for all purposes under the Exchange Act or Rules thereunder.

[(32)] (33) The term “**Market Operations Center**” or “**MOC**” means the BOX Market Operations Center, which provides market support for Options Participants during the trading day.

[(33)] (34) The term “**Market Regulation Center**” or “**MRC**” means the Exchange's United States based facilities in which, pursuant to procedures established by the Board,

Exchange Officials and personnel shall monitor, conduct surveillance of, and regulate the conduct of options business on BOX, in order to ensure the maintenance of a fair and orderly market.

[(34)] (35) The term “**NBB**” means the national best bid, the term “**NBO**” means the national best offer, and the term “**NBBO**” means the national best bid or offer, each as calculated by BOX based on market information received by BOX from OPRA.

[(35)] (36) The term “**offer**” means a limit order to sell one or more options contracts.

[(36)] (37) The term “**opening purchase transaction**” means a BOX Transaction that creates or increases a long position in an options contract.

[(37)] (38) The term “**opening writing transaction**” means a BOX Transaction that creates or increases a short position in an options contract.

[(38)] (39) The term “**options contract**” means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

[(39)] (40) The term “**options market close**” or “**market close**” means the time specified by BOX for the cessation of trading in contracts on BOX for options on that market day.

[(40)] (41) The term “**options market open**” or “**market open**” means the time specified by BOX for the commencement of trading in contracts on BOX for options on that market day.

(42) The term “**Options Participant**” is a Participant registered with the Exchange for purposes of participating in options trading on the Exchange.

[(41)] (43) The term [“**Options Participant**”] or “**Participant**” means a firm, or organization that is registered with the Exchange pursuant to the Rule 2000 Series for purposes of participating in trading on a facility of the Exchange and includes an “Options Participant” and “BSTX Participant.”

[(42)] (44) The term “**Options Principal**” means persons associated with a Participant, enumerated in subparagraphs (i) through (v) hereafter, who are actively engaged in the management of the Options Participant's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a Participant for any of these functions. Designated Options Principals shall include:

- (i) Sole Proprietors;
- (ii) Officers;
- (iii) Partners;
- (iv) Branch Manager; and
- (v) Directors of Corporations.

[(43)] (45) The term “**Options Participation Agreement**” means the agreement to be executed by Options Participants to qualify to participate on BOX.

[(44)] (46) The term “**OPRA**” means the Options Price Reporting Authority.

[(45)] (47) The term “**order**” means a firm commitment to buy or sell options contracts as defined in Rule 7110 (Order Entry).

[(46)] (48) The terms “**Order Flow Provider**” or “**OFP**” mean those Options Participants representing as agent Customer Orders on BOX and those non-Market Maker Participants conducting proprietary trading.

[(47)] (49) The term “**outstanding**” means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

[(48)] (50) The term “**person**” means any natural person, company, government, or political subdivision, agency, or instrumentality of a government.

[(49)] (51) The term “**pre-opening**” means the period immediately prior to the market open on BOX, beginning at a time specified by BOX, during which Options Participants may log on to the Trading Host and submit, amend and withdraw orders, but no trading can occur.

[(50)] (52) The term “**primary market**” means the principal market in which an underlying security is traded.

[(51)] (53) The term “**Professional**” means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Participants. A Professional will be treated in the same manner as a broker-dealer for purposes of Rules 7150 and 7245. Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

(a) – (c) No change.

[(52)] (54) The term “**Public Customer**” means a person that is not a broker or dealer in securities.

[(53)] (55) The term “**Public Customer Order**” means an order for the account of a Public Customer.

[(54)] (56) The term “**put**” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the OCC, to sell to the Clearing Corporation the number of units of the underlying security covered by the options contract, at a price per unit equal to the exercise price, upon the timely exercise of such option.

[(55)] (57) The term “**Quarterly Options Series**” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

[(56)] (58) The term “**quote**” or “**quotation**” means a bid or offer entered by a Market Maker as a firm order that updates the Market Maker's previous bid or offer, if any.

[(57)] (59) The term “**Representative**” means persons associated with a Participant, including assistant officers other than principals, who are engaged in the investment banking or securities business for the Participant including the functions of supervision, solicitation, or conduct of business in securities or who are engaged in the training of persons associated with a Participant for any of these functions.

[(58)] (60) The term “**Request for Quote**” or “**RFQ**” shall mean a message that may be issued by an Options Participant in order to signal an interest in an options series and request response from other Participants. The RFQ contains only the series symbol and quantity and is broadcast to all Participants.

[(59)] (61) The term “**Rules**” means the Exchange By-Laws, the Exchange LLC Agreement, and these Rules of the Exchange.

[(60)] (62) The term “**Rules of the Clearing Corporation**” or “**Rules of the OCC**” means the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

[(61)] (63) The term “**SEC**” or “**Commission**” means the United States Securities and Exchange Commission.

[(62)] (64) The term “**series of options**” means all options contracts of the same class of options having the same exercise price and expiration date.

[(63)] (65) The term “**session end**” means the period immediately following Market Close, ending at a time specified by BOX, during which Options Participants may withdraw any “good-till-canceled” orders that they do not wish to remain in the market for the following market day.

[(64)] (66) The term “**short position**” means a person's interest as the writer of one or more options contracts.

[(65)] (67) The term “**Short Term Option Series**” means a series in an option class that is approved for listing and trading on BOX in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

[(66)] (68) The term “**SRO**” means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

[(67)] (69) The term “**Trading Floor**” or “**Options Floor**” means the physical trading floor of the Exchange located in Chicago. The Trading Floor shall consist of one “Crowd Area” or “Pit” where all option classes will be located. The Crowd Area or Pit shall be marked with specific visible boundaries on the Trading Floor, as determined by the Exchange. A Floor Broker must open outcry an order in the Crowd Area.

[(68)] (70) The term “**Trading Host**” means the automated trading system used by BOX for the trading of options contracts.

[(69)] (71) The term “**type of option**” means the classification of an options contract as either a put or a call.

[(70)] (72) The term “**uncovered**” means a short position in an options contract that is not covered.

[(71)] (73) The term “**underlying security**” means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

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2020 Participant Eligibility and Registration

(a) – (f) No Change.

(g) Persons Exempt from Registration. The following persons associated with a Participant are not required to be registered with the Exchange:

- (1) persons associated with a Participant whose functions are solely and exclusively clerical or ministerial; and
- (2) [persons associated with a Participant who are not actively engaged in the options securities business.] persons associated with a Participant whose functions are related solely and exclusively to transactions in municipal securities; (3) persons associated with a Participant whose functions are related solely and exclusively to transactions in commodities; (4) persons associated with a Participant whose functions are related solely and exclusively to transactions securities futures, provided that any such person is appropriately registered with a registered futures association; and (5) persons associated with a Participant who are restricted from accessing the Exchange and that do not engage in the securities business of the Participant relating to activity that occurs on the Exchange.

(h) – (i) No Change.

* * * * *

2040 Restrictions

(a) – (d) No Change.

(e) No registered broker or dealer shall be admitted as, or be entitled to continue as, a Participant if such broker or dealer:

- (1) Fails to comply with either the financial responsibility requirements established by Rule 15c3-1 under the Act, or such other financial responsibility and operational capability requirements as may be established by the Exchange Rules;

- (2) fails to adhere to the Exchange Rules relating to the maintenance of books and records or those rules of other self-regulatory organizations of which such broker or dealer is or was a Participant;
- (3) fails to demonstrate to the Exchange adequate systems capability, capacity, integrity and security necessary to conduct business on a facility of the Exchange;
- (4) does not clear or settle transactions executed on BOX through [a registered clearing agency using a continuous net settlement system] an Approved Clearance and Settlement Provider;
- (5) is subject to any unsatisfied liens, judgments or unsubordinated creditor claims of a material nature, which, in the absence of a reasonable explanation therefor, remain outstanding for more than six months;
- (6) has been subject to any bankruptcy proceeding, receivership or arrangement for the benefit of creditors within the past three years; or
- (7) has engaged in an established pattern of failure to pay just debts or has defaulted, without a reasonable explanation, on an obligation to a self-regulatory organization, or any member of a self-regulatory organization.

(f) through (g) No Change.

* * * * *

2060 Revocation of Participant Status or Association with a Participant

Participants or associated persons of Participants may effect approved [options] securities transactions on BOX trading facilities only so long as they possess all the qualifications set forth in the Exchange Rules. Except where, pursuant to Section 17(d) of the Act, the Exchange has been relieved of its responsibility to monitor the continued qualifications of a Participant or an associated person of a Participant, when the Exchange has reason to believe that a Participant or associated person of a Participant fails to meet such qualifications, the Exchange may act to revoke such person's Participant status or association. Such action shall be instituted under, and governed by, the Exchange Rule 11000 Series and Rule 12000 Series and may be appealed under the Rule 13000 Series of the Exchange Rules governing adverse action. In connection with any revocation of rights as a Participant or voluntary termination of rights as a Participant pursuant to Rule 2070, the Participant status in the Exchange shall be cancelled.

* * * * *

3180 Mandatory Systems Testing

(a) Each Participant that the Exchange designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Exchange's systems in the manner and frequency prescribed by the Exchange. The Exchange will designate Participants as required to participate in a system test based on: (1) the category of the Participant (e.g., Market Maker, [and] OFP, BSTX Participant); (2) the computer system(s) the Participant uses; and (3) the manner in which the Participant connects to the Exchange. The Exchange will give Participants reasonable notice of any mandatory systems

test, which notice will specify the nature of the test and Participants' obligations in participating in the test.

(b) through (c) No Change.

* * * * *

7130 Execution and Price/Time Priority

(a) BOX shall make available to market participants market information in the manner described in subsection (a)(2) of this Rule. BOX will also disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between BOX and OPRA in the manner described in subsection (a)(3).

(1) *Ranking.* Orders of Options Participants shall be ranked and maintained in the BOX Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry in the following manner:

(i) Limit Orders, with no other conditions, shall be ranked ahead of all other orders based on the specified limit price and the time of original order entry.

(ii) Conditional orders shall be ranked behind all unconditional Limit Orders at the specified limit price based upon the time of order entry with earlier orders receiving priority.

(2) *Display.* BOX makes the proprietary High Speed Vendor Feed (“HSVF”) of BOX market information available to all market participants. The HSVF contains the following information:

(i) Trades and trade cancellation information;

(ii) Best-ranked price level to buy and the best ranked price level to sell;

(iii) Instrument summaries (including information such as high, low, and last trade price and traded volume);

(iv) The five best limit prices and the best-ranked Legging Order (if any) as defined in 7240(c)(1), for each option instrument, and the five best limit prices and the best-ranked Implied Order (if any), as defined in 7240(d)(1) for each Complex Order Strategy;

(v) Request for Quote messages (see Rule 100(a)[(58)]60, Rule 7070(h), and Rule 8050);

(vi) PIP Order, COPIP Order, Improvement Order and Block Trade Order (Facilitation and Solicitation) information (as set forth in Rule 7150, 7245 and Rule 7270, respectively);

(vii) Orders exposed at NBBO (as set forth in this Rule 7130(b)(2) and Rule 8040(d)(6) of the BOX Rules, respectively) and Complex Orders exposed pursuant to Rule 7240(b)(3)(iii)(B);

(viii) Instrument dictionary (e.g. strike price, expiration date, underlying symbol, price threshold, and minimum trading increment for instruments traded on BOX);

(ix) Options class and instrument status change notices (e.g., whether an instrument or class is in pre-opening, continuous trading, closed, halted, or whether prohibited from trading);

(x) Options class opening time;

(xi) Public Customer bid/ask volume at the best limit; and

(xii) Participant ID, including any supplemental clearing information, if elected, pursuant to Rule 7130(b)(3)(iii).

(3) through (7) No Change.

(b) No Change.

* * * * *

7150 Price Improvement Period

(a) For purposes of this Rule 7150,

(1) an “Unrelated Order” shall be defined as a non-Improvement Order entered into the BOX market during a PIP; and

(2) Professionals are treated as provided in Rule 100(a)[(51)](53).

(b) through (l) No Change.

* * * * *

7230 Limitation of Liability

(a) The Exchange, BOX and any of their respective affiliates, and their respective directors, officers, committee members, employees, contractors, and agents or other persons acting on their behalf (“Exchange Related Persons and/or Entities”) will not be liable to [Options] Participants or users for any loss, damages, claim or expense:

(1) growing out of the use or enjoyment of BOX or the Trading Host; or

(2) arising from or occasioned by any inaccuracy, error or delay in, or omission of or from the collection, calculation, compilation, maintenance, reporting or dissemination of any information derived from BOX, resulting either from any act or omission by any Exchange Related Persons and/or Entities, or from any act, condition or cause beyond the reasonable control of any Exchange Related Persons and/or Entities, including but not limited to flood, extraordinary weather conditions, earthquakes or other acts of God, fire, war, terrorism, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction.

(3) Generally, in the event of a BOX market outage, or interruption of service, a loss pertaining to an order that is entered into BOX will be absorbed by the order entering

[Options] Participant organization. Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(b) Exchange Related Persons and/or Entities shall not be liable to [Options] Participants nor any persons associated with [Options] Participants for any loss, expense, damages or claims arising out of the use of the facilities, systems or equipment afforded by BOX in relation to the BOX market, or any interruption in or failure or unavailability of any such facilities, systems or equipment, whether or not such loss, expense, damages or claims result or are alleged to result from negligence or other unintentional errors or omissions on the part of any Exchange Related Persons and/or Entities or from systems failure, or from any other cause within or outside the control of BOX. Without limiting the generality of the foregoing, Exchange Related Persons and/or Entities shall not have any liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value or any reports of transactions in or quotations for options or other securities, including underlying securities.

(c) Exchange Related Persons and/or Entities make no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of BOX or any reporting authority designated by BOX, including but not limited to, reports of transactions in or quotations for securities traded on BOX or underlying securities, or reports of interest rate measures or index values or related data, and Exchange Related Persons and/or Entities make no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data.

(d) No [Options] Participant or person associated with an [Options] Participant shall institute a lawsuit or other legal proceeding against any Exchange Related Persons and/or Entities for actions taken or omitted to be taken in connection with the official business of BOX or any subsidiary, except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

(e) Notwithstanding paragraphs (a), (b), and (d) above, and subject to the express limits set forth below, BOX may compensate [Options] Participants for losses resulting directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange or BOX.

(1) As to the aggregate of all claims made by all [Options] Participants under this Rule during a single calendar month, BOX shall not be liable in excess of the larger of \$500,000, or the amount of any recovery obtained by BOX under any applicable insurance maintained by BOX.

(2) In the event that all of the claims made under this Rule cannot be fully satisfied because in the aggregate they exceed the applicable maximum limitations provided in this Rule, then the maximum permitted amount will be proportionally allocated among all

such claims arising during a single calendar month based on the proportion that each such claim bears to the sum of all such claims.

(3) All claims for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 p.m. ET on the next business day following the day on which the use of BOX gave rise to such claims. Once in receipt of a claim, BOX will verify that: (i) a valid order was accepted into BOX; and (ii) any loss claimed resulted directly from the malfunction of the physical equipment, devices, or programming of Exchange Related Persons and/or Entities, or from the negligent acts or omissions of employees of the Exchange or BOX during the execution or handling of that order.

(f) Each [Options] Participant that physically conducts business on the Exchange's Trading Floor is required, at its sole cost, to procure and maintain liability insurance that provides defense and indemnity coverage for itself, any person associated with it, and the Exchange for any action or proceeding brought, or claim made, to impose liability upon such [Options] Participant, associated person, or the Exchange resulting from, relating to, or arising out of the conduct of the [Options] Participant or associated person (hereinafter, "Insurance"). The Insurance shall further provide defense and indemnity coverage to the Exchange for the Exchange's sole, concurrent, or contributory negligence, or other wrongdoing, relating to or in connection with such claim. The Exchange shall be expressly named by endorsement as an Additional Insured under the Insurance. The Exchange's status and rights to coverage under the Insurance shall be the same rights of the named insured of the Insurance, including, without limitation, rights to the full policy limits. In addition:

(1) The limits for the Insurance shall be not less than \$1,000,000 without erosion by defense costs, but under no circumstance shall the Exchange be entitled to less than the full policy limits of such Insurance.

(2) The Insurance shall state that it is primary to any insurance maintained by the Exchange.

(3) Each [Options] Participant annually shall cause a certificate of insurance to be issued directly to the Exchange demonstrating that insurance compliant with this Rule has been procured and is maintained. Each [Options] Participant also shall furnish a copy of the Insurance to the Exchange for review upon the Exchange's request at any time.

(4) This section (f) is the only section of Rule 7230 specifically limited to [Options] Participants physically located on the Exchange's Trading Floor.

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7245 Complex Order Price Improvement Period

(a) For purposes of this Rule 7245,

(1) an "Improvement Order" shall be defined as a competing Complex Order submitted to BOX by an OFP or Market Maker during a COPIP;

(2) an "Unrelated Order" shall be defined as a non-Improvement Order entered on BOX during a COPIP or BOX Book Interest during a COPIP;

(3) “BOX Book Interest” shall be defined as bids and offers on the BOX Book for the individual legs of a Strategy; and

(4) Professionals are treated as provided in Rule 100(a)[(51)]53.

(b) through (l) No Change.

* * * * *

IM-8050-3

(a) Notwithstanding Rule 100(a)[(55)]57, all quotes and quote updates on BOX after the opening are liquidity adding only. Specifically, after the Opening Match pursuant to Rule 7070, a Market Maker’s quote will not execute against a resting order or quote on the BOX Book. If an incoming quote is marketable against the BOX Book and will execute against a resting order or quote, it will be rejected.

(b) No Change.

* * * * *

11010 Investigation Following Suspension

(a) Every Participant or person associated with a Participant against which action has been taken in accordance with the Summary Suspension procedures of this Rule 11000 Series shall immediately afford every facility required by the Exchange for the investigation of his or its affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short security position [in BOX options contracts] maintained by the Participant and each of his or its Customers.

(b) Paragraph (a) includes, without limitation, the furnishing of such books and records of the Participant or person associated with a Participant and the giving of such sworn testimony as may be requested by the Exchange.

* * * * *

11030 Failure to Obtain Reinstatement

If an [Options] Participant suspended under the provisions of this Rule 11000 Series fails or is unable to apply for reinstatement in accordance with Rule 11020 or fails to obtain reinstatement as therein provided, the Exchange shall revoke his or its Participant status in accordance with Rule 12110(a).

* * * * *

12030 Letters of Consent

(a) In lieu of the procedures set forth in Rules 12040 through 12060 (Charges, Answer and Hearing), a matter may be disposed of through a letter of consent.

(1) A matter can only be disposed of through a letter of consent if regulatory staff, including regulatory staff of another SRO acting on the Exchange's behalf pursuant to Rule 12150 (collectively, "SRO Staff") and the [Options] Participant or person(s) who is the subject of the investigation (the "Subject") are able to agree upon terms of a letter of consent. Such letter must be signed by the Subject and must set forth a stipulation of facts and findings concerning the Participant's conduct, the violation(s) committed by the Participant and the sanction(s) therefor.

(2) through (3) No Change.

* * * * *

12140 Imposition of Fines for Minor Rule Violations

- (a) *General.* In lieu of commencing a disciplinary proceeding, the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed \$5,000, on any [Options] Participant, or person associated with or employed by an [Options] Participant, with respect to any Rule violation listed in paragraph (d) and (e) of this Rule. Any fine imposed pursuant to this Rule that (i) does not exceed \$2,500 and (ii) is not contested, shall be reported on a periodic basis, except as may otherwise be required by Rule 19d-1 under the Exchange Act or by any other regulatory authority. The Exchange will proceed under this Rule only for violations that are minor in nature. Any other violation will be addressed pursuant to Rule 12030 or 12040.
- (b) *Notice.* Any person against whom a fine is imposed under this Rule (the "Subject") shall be served with a written statement setting forth (i) the Rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than 25 calendar days after the date of service of such written statement.
- (c) *Review.* A Subject may contest the Exchange's determination by filing with the Office of the Secretary of the Exchange a written answer as provided in Rule 12050 on or before the date such fine must be paid.
- (1) Upon the receipt of an answer by the Exchange the matter becomes subject to review by the Hearing Committee, or a subcommittee thereof consisting of at least three (3) members of the Hearing Committee.
 - (2) The answer must include a request for a hearing, if a hearing is desired. Formal rules of evidence shall not apply to hearings conducted by the Hearing Committee under this Rule. The Hearing Committee shall determine the time and place of the hearing and make all determinations with regard to procedural or evidentiary matters, as well as prescribe the time within which all documents or written materials must be submitted. The regulatory staff and the Subject may present evidence and produce witnesses who shall testify under oath and are subject to being questioned by the Hearing Committee and the other party. No [Options] Participant or person associated with an [Options] Participant shall refuse to furnish relevant testimony, documentary materials or other information requested

by the Hearing Committee during the course of the hearing. The Subject is entitled to be represented by counsel who may participate fully in the hearing.

- (3) If a hearing is not requested, the review will be based on written submissions and will be conducted in a manner to be determined by the Hearing Committee.
- (4) If, after a hearing or review based on written submissions, the Hearing Committee determines that the Subject is guilty of the rule violation(s) alleged, the Committee may impose any one or more of the disciplinary sanctions authorized by the Exchange's By-Laws and Rules. Unless the sole disciplinary sanction imposed by the Committee for such rule violation(s) is a fine that is less than the total fine initially imposed by the Exchange for the subject violation(s), the person charged shall pay a forum fee in the amount of \$100 if the determination was reached without a hearing and \$300 if a hearing was conducted.
- (5) The regulatory staff, the Subject or the Board on its own motion may require a review by the Board of any determination by the Hearing Committee under this Rule by proceeding in the manner described in Rule 12100.
- (6) In the event that a fine imposed pursuant to this Rule is subsequently upheld by the Hearing Committee or, if applicable, on appeal to the Board, such fine, plus all interest that has accrued thereon since the fine was due and any forum fee imposed pursuant to subparagraph (4) above, shall be immediately payable.

(d) through (e) No Change.

(f) *Transactions on BSTX*. Rules and penalties relating to trading on BSTX that are set forth in Rule 24010 (Penalty for Minor Rule Violations).